APF ENERGY TRUST

2001

Corporate Profile

APF Energy Trust is an open-ended royalty trust created in December 1996 to provide unitholders with regular monthly distributions based on the cash flow generated from high quality crude oil and natural gas properties located in the Western Canadian Sedimentary Basin. Since commencing operations, APF has participated in approximately $220 million of oil and gas acquisitions and increased production to 7,382 boe per day at the end of 2001. The Trust also generated cumulative distributions of $10.45 per unit from inception to April 15, 2002, reaching payout on its $10 per unit Initial Public Offering in the first five years of operations while sustaining its unit price. This performance places APF in the top quartile among its peers.

Annual and Special Meeting

The annual and special meeting of unitholders of APF Energy Trust will be held on Monday, June 3, 2002 at 3:00 p.m. in the McMurray Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

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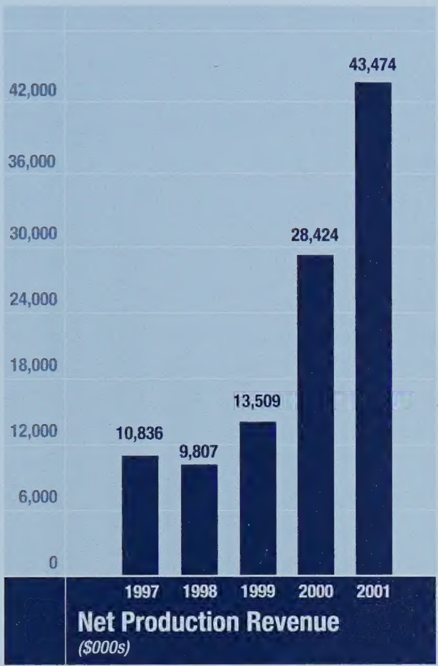
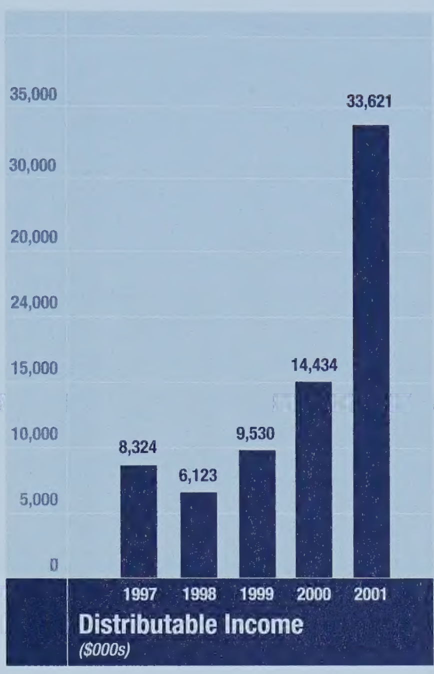
Abbreviations

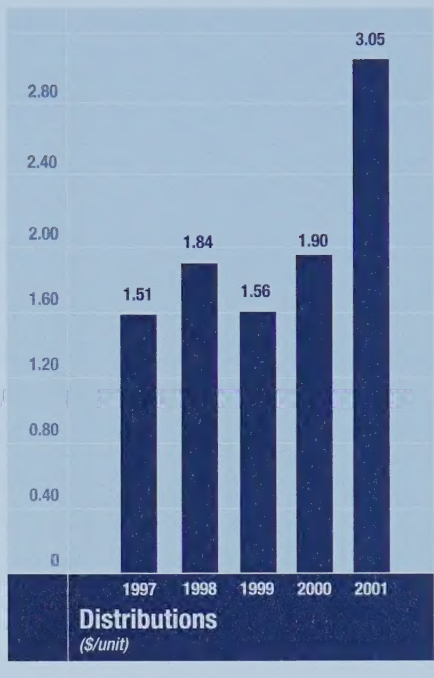
Bbl	Barrel
Bbls	Barrels
Bbl/d	Barrels per day
Mbbl	Thousand barrels
Bcf	Billion cubic feet
Mcf	Thousand cubic feet
Mcf/d	Thousands of cubic feet per day
Mmcf	Million cubic feet
Mmcf/d	Millions of cubic feet per day
Boe	Barrel of oil equivalent (6 mcf = 1 bbl)
Boe/d	Barrels of oil equivalent per day
Mboe	Thousand barrels of oil equivalent
Mmbtu	Million British thermal units (mmbtu = 1 mcf)
NPV	Net present value
NGL	Natural gas liquids
Established	Proved plus one-half probable
IPO	Initial Public Offering

Note: All currency is expressed in Canadian funds, except where otherwise indicated.

Financial Highlights

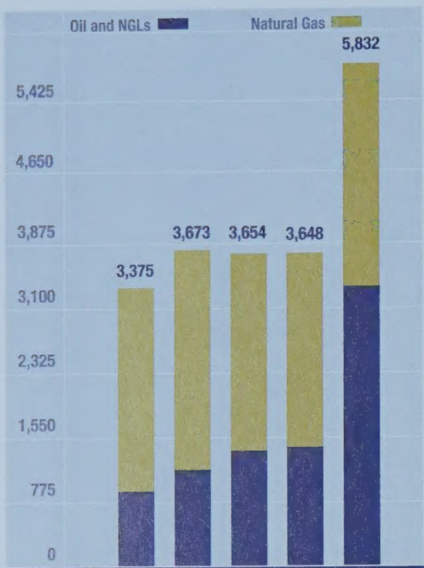




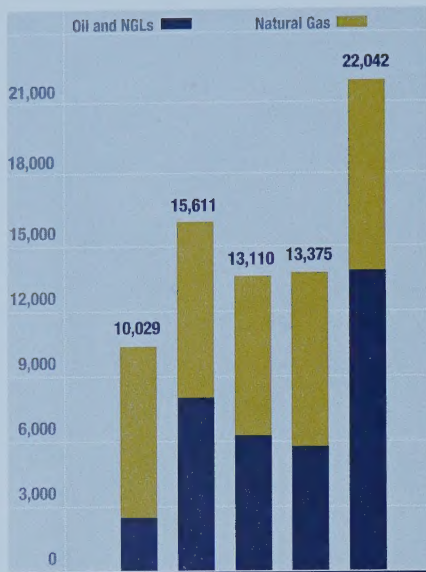


	2001	2000	% Change
($000s except per unit amounts)			
Revenue	**69,924**	44,974	55
Per Unit	**5.56**	6.53	(15)
Distributable Income	**33,621**	14,434	133
Per Unit	**2.67**	2.10	28
Distributions	**37,311**	13,899	168
Per Unit (paid during period)	**3.05**	1.90	60
Net Income	**18,144**	14,075	29
Per Unit	**1.44**	2.04	(29)
Net Debt	**58,301**	23,530	148
Market			
High ($)	**13.40**	10.40	29
Low ($)	**8.75**	7.00	25
Close ($)	**9.85**	9.75	1
Average Daily Volume	**46,500**	6,900	574
Value ($000s)	**123,767**	21,711	470
Units Outstanding (000s)			
Year End	**15,584**	7,139	118
Average	**12,578**	6,888	83

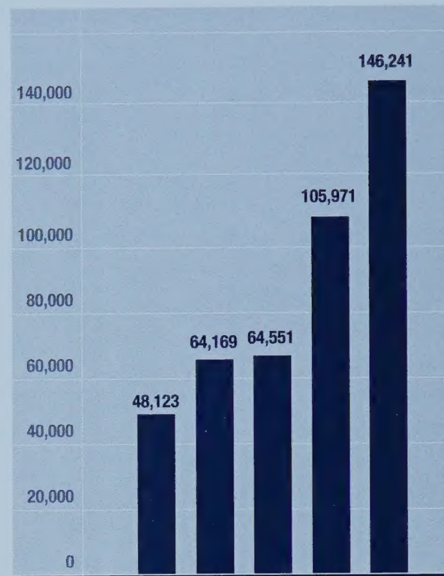
Operating Highlights



Production
(boe/d)



Established Reserves Volume
(mboe)



Established Reserves Value
($ 000s) (NPV 12%)

	2001	2000	% Change
Daily Average Production			
Oil (bbls)	**3,167**	1,152	175
Natural Gas (mcf)	**15,391**	13,449	14
NGLs (bbls)	**100**	254	(61)
Total (boe)	**5,832**	3,648	60
Annual (mboe)	**2,129**	1,335	60
Average Prices ($)			
Crude Oil (/bbl)	**32.20**	42.67	(25)
Natural Gas (/mcf)	**5.25**	4.89	7
NGLs (/bbl)	**30.97**	35.96	(14)
Oil Equivalent (/boe)	**31.87**	34.01	(6)
Hedging Gain (Loss)(/boe)	**0.07**	(1.03)	107
Net Sales Prices (/boe)	**31.94**	32.98	(3)
Established Reserves			
Crude Oil & NGLs (mbbl)	**13,545**	5,648	140
Natural Gas (mmcf)	**50,980**	46,364	10
Total (mboe)	**22,042**	13,375	65
Value Discounted @ 12% ($000s)	**146,421**	105,971	38

I am pleased to present APF Energy Trust's 2001 annual report to our unitholders.

Original $10 Unit Pays Out

On December 17, 2001 APF celebrated its fifth anniversary with an announcement that its January 15, 2002 distribution would result in the original $10 unit reaching payout, making APF one of the quickest among its peers to attain that mark. This distribution, combined with a strong unit price, has rewarded investors who joined our trust at the initial public offering with a compound annual rate of return of approximately 21 percent to December 31, 2001.

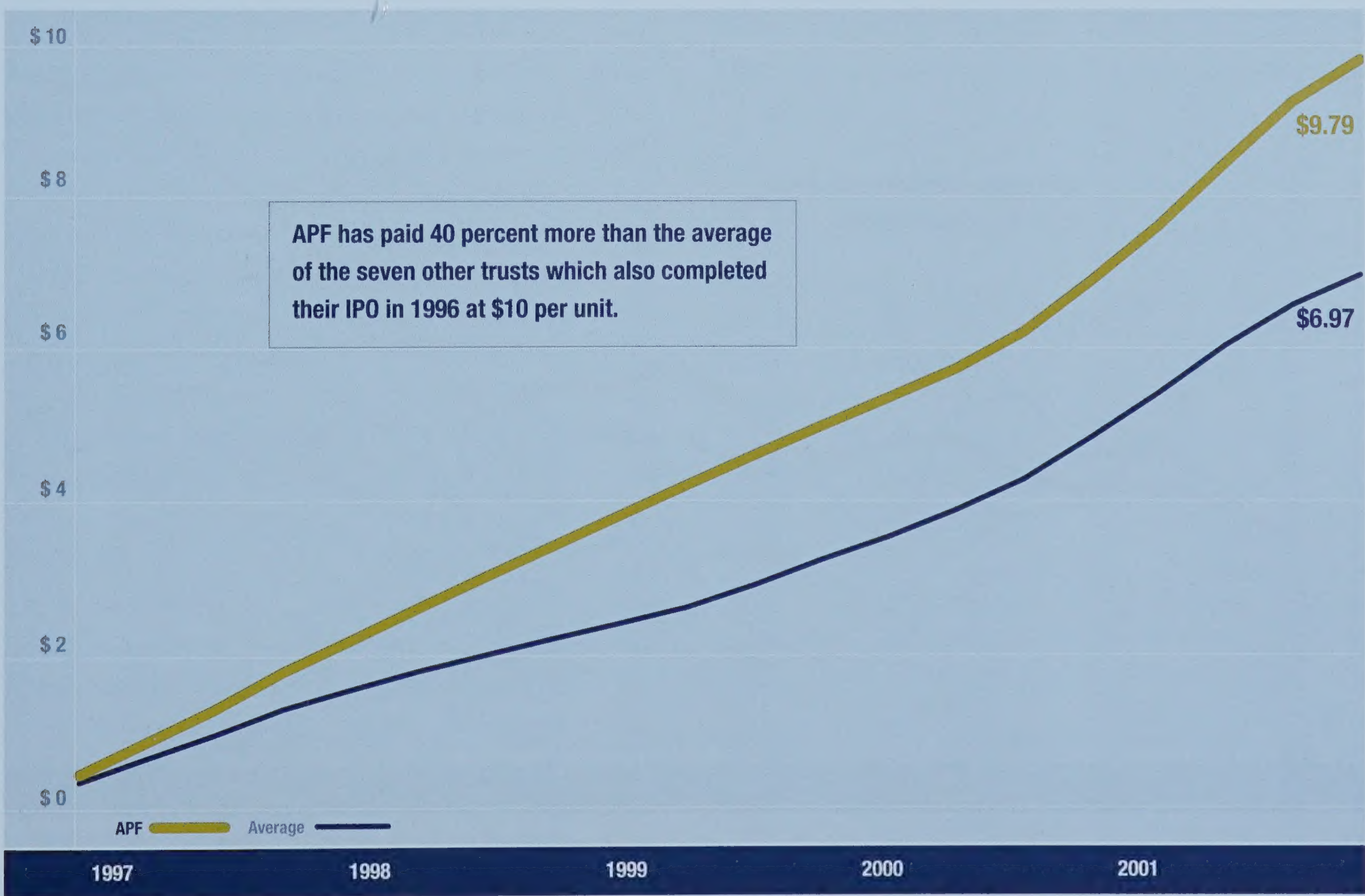
The key to generating this kind of return lies in a two-part strategy: buying well and effectively harvesting the upside potential from the asset base. The results of this strategy were particularly apparent during 2001, when APF both doubled in size and generated its highest distributions per unit.

2001: A Breakthrough Year

We have often said that growth itself should not be a measure of success. Rather, growth must be generated in a way that improves unitholder returns.

The measure of that improvement goes beyond a transaction that increases monthly distributions. Growth must provide other, yet very important effects, including a wide range of stock market considerations such as better access to capital and increased liquidity. Another genuine measure of improvement is the ability to raise equity to fund new acquisitions, which in turn sustain or increase distributions and provide an inventory of development and optimization prospects.

Cumulative Distributions of 1996 Oil & Gas Trust Issues (IPOs at $10)



Historical Returns on Equity Issues

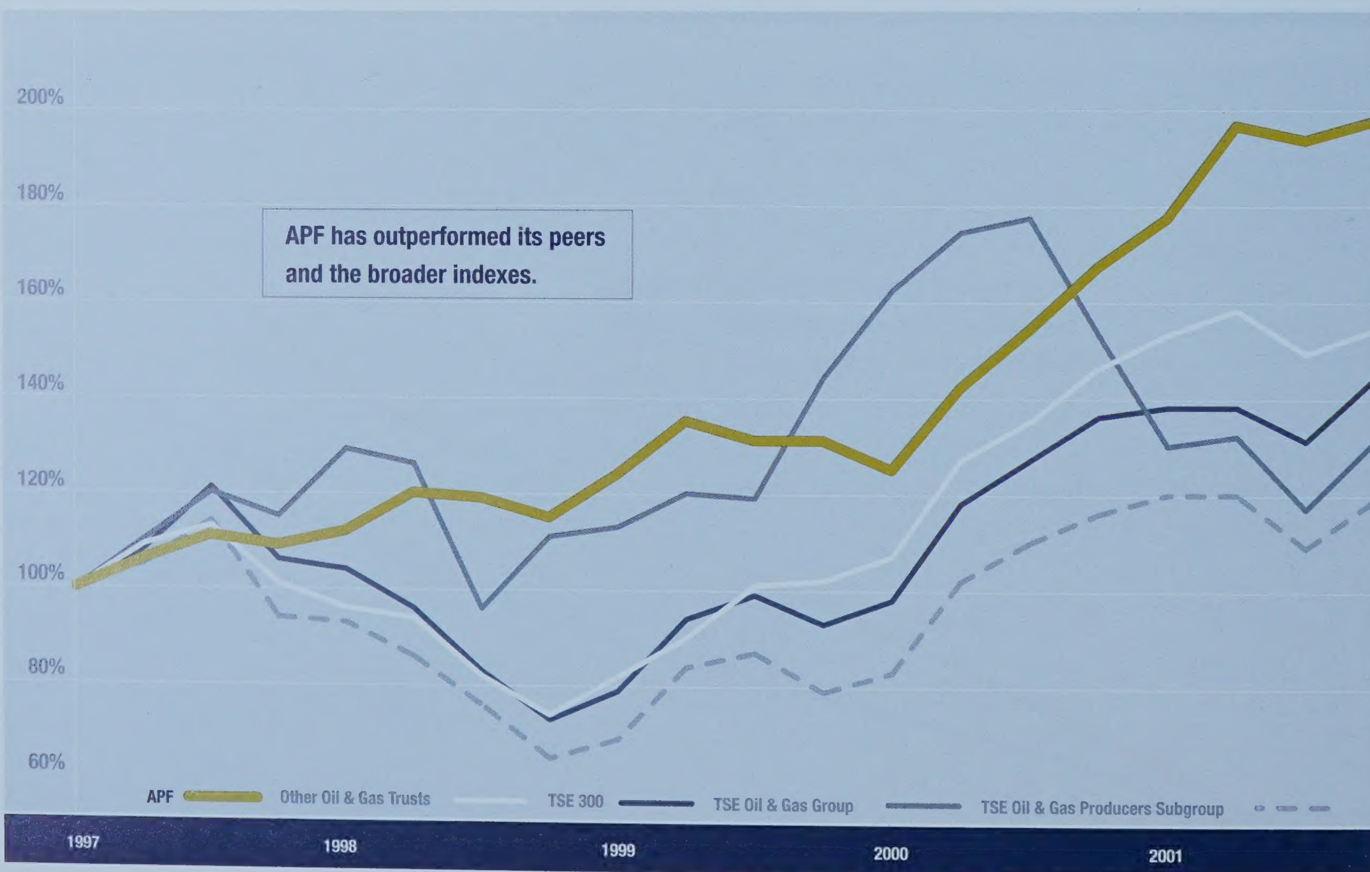
Equity Issues	Dec-96	Dec-98	Mar-00	Mar-01	Apr-01	Jun-01	Oct-01
Issue Price	$ 10.00	$ 8.00	$ 7.30	$ 10.00	$ 10.05	$ 11.50	$ 9.55
Unit Price (1)	$ 10.70	$ 10.70	$ 10.70	$ 10.70	$ 10.70	$ 10.70	$ 10.70
Capital Appreciation	$ 0.70	$ 2.70	$ 3.40	$ 0.70	$ 0.65	$ (0.80)	$ 1.15
Distributions (2)	$ 10.45	$ 7.10	$ 5.17	$ 2.93	$ 2.70	$ 2.10	$ 1.00
Total Return	$ 11.15	$ 9.80	$ 8.57	$ 3.63	$ 3.35	$ 1.30	$ 2.15
Internal Rate of Return	21%	36%	58%	39%	39%	15%	53%

(1) Closing March 27, 2002.

(2) Since inception, including April 2002's declared distribution.

During 2001, APF spent approximately $115 million on acquisitions and development initiatives, which generated a 60 percent increase in both production and unitholder distributions. Funding for these initiatives was provided by $87 million of equity, of which $68 million was raised through a broader underwriting group that included the addition of two national investment dealers. The balance of the capital came from a newly created banking syndicate led by APF's long-time lender, National Bank of Canada.

Historical Total Return Performance



Although APF's acquisition and development initiatives were major contributors to our success last year, commodity prices obviously played a significant role. In the first quarter of 2001, there was a confluence of high oil and natural gas prices that may not be repeated until the world's economies enter a period of sustained growth. During the year, West Texas Intermediate crude oil averaged US$25.94 per barrel, while the price of natural gas at AECO averaged Cdn$5.44 per mcf. Our most recently completed independent engineering report forecasts these prices to average US$20 per barrel and Cdn$3.95 per mcf during 2002.

Last year's annual report identified four goals for 2001: to integrate the production and operations from our purchase of Alliance Energy Inc., to exploit development opportunities from acquisitions and existing properties, to identify and evaluate new opportunities and to maintain strong and competitive distributions to unitholders. I am pleased to report that we met all of our objectives.

For 2002, APF is focused on merger and acquisition initiatives as well as the expansion of our capital expenditure program, budgeted at $10.7 million. The current commodity price environment presents both an opportunity and a challenge for APF in achieving these goals. On the one hand, constrained access to capital and reduced cash flow may force some oil and gas companies to maximize shareholder value through corporate and asset dispositions. APF must take advantage of such opportunities. On the other hand, APF will need to be judicious in its use of available capital and cash flow. We will, however, continue to manage APF in a way that generates the highest possible distributions and maintains our standing as one of our industry's top performers.

OUTLOOK

APF has historically provided its unitholders with superior returns as a result of consistently high cash distributions. It is APF's objective to continue to achieve superior returns as compared to other oil and gas royalty trusts by ensuring that acquisitions are strategic and accretive to unitholders. In this respect, APF announced on April 17, 2002 that it had agreed to acquire Kinwest Resources Inc. ("Kinwest") and its joint venture partner for a total consideration of $57.0 million. The purchase price will be satisfied by the payment of $18.6 million in cash, the issuance of 2.8 million units at a deemed price of $10.15 per unit and the assumption of Kinwest's debt totaling $9.9 million. Upon closing, APF will have acquired 2,100 boe per day of production at a price of $27,100 per flowing boe and 7.9 million barrels of oil equivalent of established reserves at a price of $7.17 per boe in the ground. The majority of the properties are located within APF's core area of Southeast Saskatchewan.

Cash distributions for the first quarter of 2002 totalled $0.45 per unit comprised of three monthly payments of $0.15. Cash distributions are declared monthly and may vary depending on the volatility of commodity prices. It is APF's intent to maintain a stable cash distribution level to the extent possible, even in times of volatile commodity prices. This will result in the working capital reserve increasing during times of high commodity prices, with excess cash flow being utilized to fund ongoing capital expenditure projects.

I wish to thank our unitholders for their support during 2001 and our staff and Board of Directors for their exemplary efforts.

Martin Hislop
President and Chief Executive Officer
APF Energy Management Inc.
April 26, 2002

The Canadian royalty trust model is predicated on replacing and increasing reserves in order to sustain distributions. While effective development and optimization are a lynchpin to the business plan, acquisitions remain an important component.

Acquisitions

The vast majority of last year's record growth was the result of two transactions completed during the first quarter that provided high quality assets based in Southeast Saskatchewan. The first was the $52.8 million purchase of Alliance Energy Inc., a junior oil and gas company, and a subsequent $42.5 million asset acquisition. These transactions provided APF with an interest in many of the areas' major oil pools and supplied APF with an inventory of low-risk development drilling prospects well into 2003. Furthermore, APF is identifying additional opportunities on a continual basis thanks to advanced seismic technology and new data from each well that we drill.

The third significant acquisition, completed on August 31, 2001 for $8.5 million, involved assets at Sakwatamau in north central Alberta. The acquisition provided approximately 325 boe per day of working interest and royalty production volumes as well as a 100 percent interest in a gas plant with excess capacity, 10 sections of undeveloped land, more than 100 miles of 2-D seismic data and two 3-D seismic surveys. We have already tied in two shut-in wells and farmed out one section of land to an industry partner that has committed to drilling a well by September 2002.

Drilling And Optimization

Last year APF invested a record $15.8 million in drilling and infrastructure, the results of which entirely replaced production. Although the growth that can be achieved through M&A activity is higher profile, the quieter but equally effective and value-added development and optimization strategies are very important to APF's success.

During 2001, APF participated in drilling 76 (42.2 net) wells, the majority of which were on high working interest lands operated by APF in southeast Saskatchewan and Countess in southeast Alberta. APF's overall drilling success rate was 95 percent.

In southeast Saskatchewan, APF drilled 8 (5.1 net) horizontal oil wells, with an average working interest of 80 percent, at Tatagwa, Star Valley, Queensdale and Carlyle. At Countess, APF completed a fourth consecutive year of development, drilling 30 shallow gas wells on 100 percent lands. In total, APF developed 2,369 mboe of reserves and added 1,770 boe per day of production at a cost of $6.68 per boe in the ground and $8,943 per flowing boe.

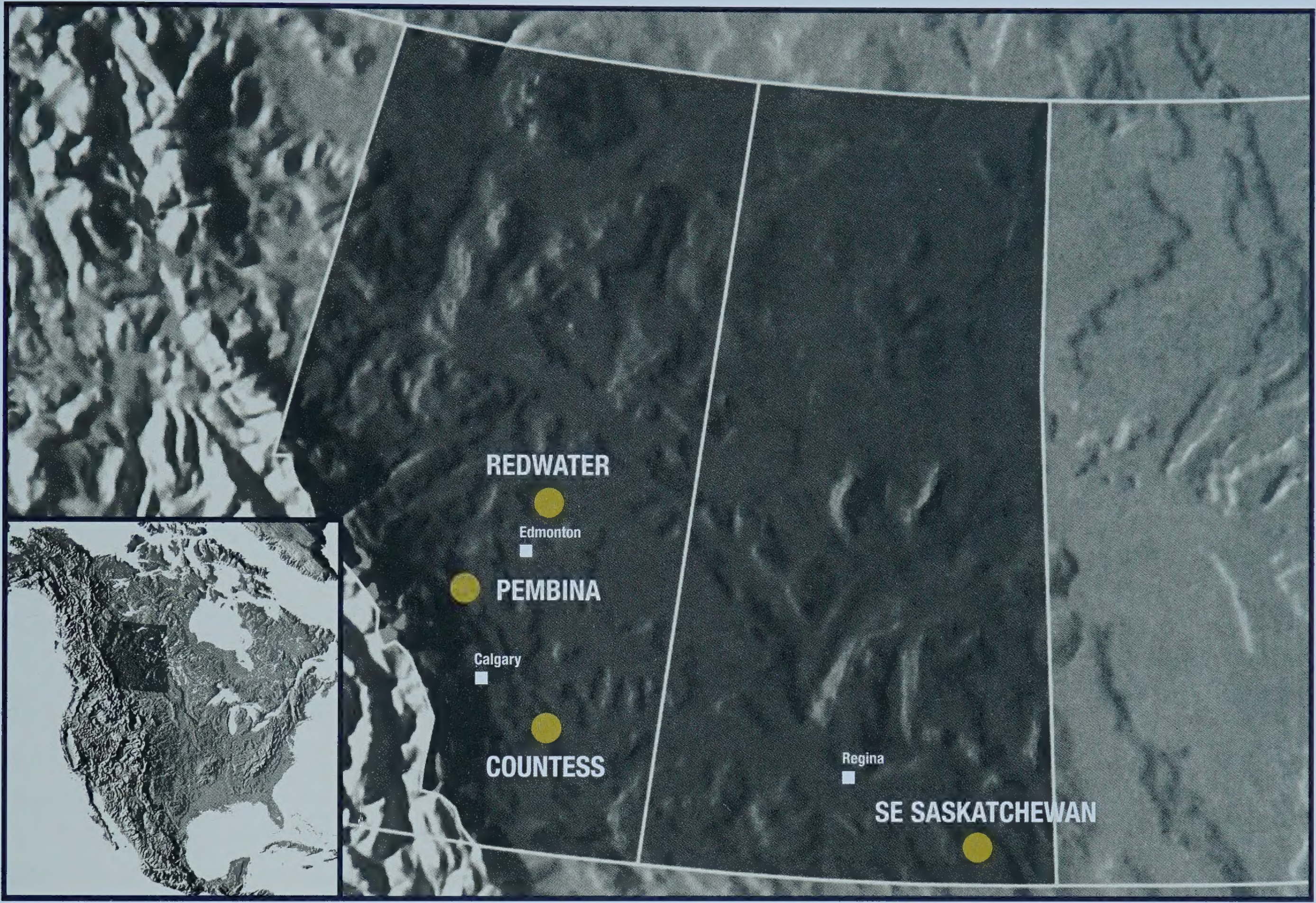
Looking Forward

APF's corporate development team has been actively identifying and evaluating a number of M&A opportunities. These efforts culminated in the recently announced agreement to acquire Kinwest Resources Inc. and its joint venture partner for $57 million.

On the development front, APF's independent engineering report, prepared by Gilbert Laustsen Jung Associates Ltd. (GLJ) and effective January 1, 2002, contemplates capital expenditures of $10.7 million for the current year, most of which will be spent on drilling opportunities in southeast Saskatchewan, Countess and Pembina and workover opportunities in Redwater. APF may expand development activities during the year to ultimately increase the level of capital expenditures to more than $20 million, particularly once we integrate the Kinwest assets into our development budget. Since the beginning of this year, APF has participated in the drilling of 11 (3.9 net) wells, details of which will be provided in our first quarter interim report in late May.

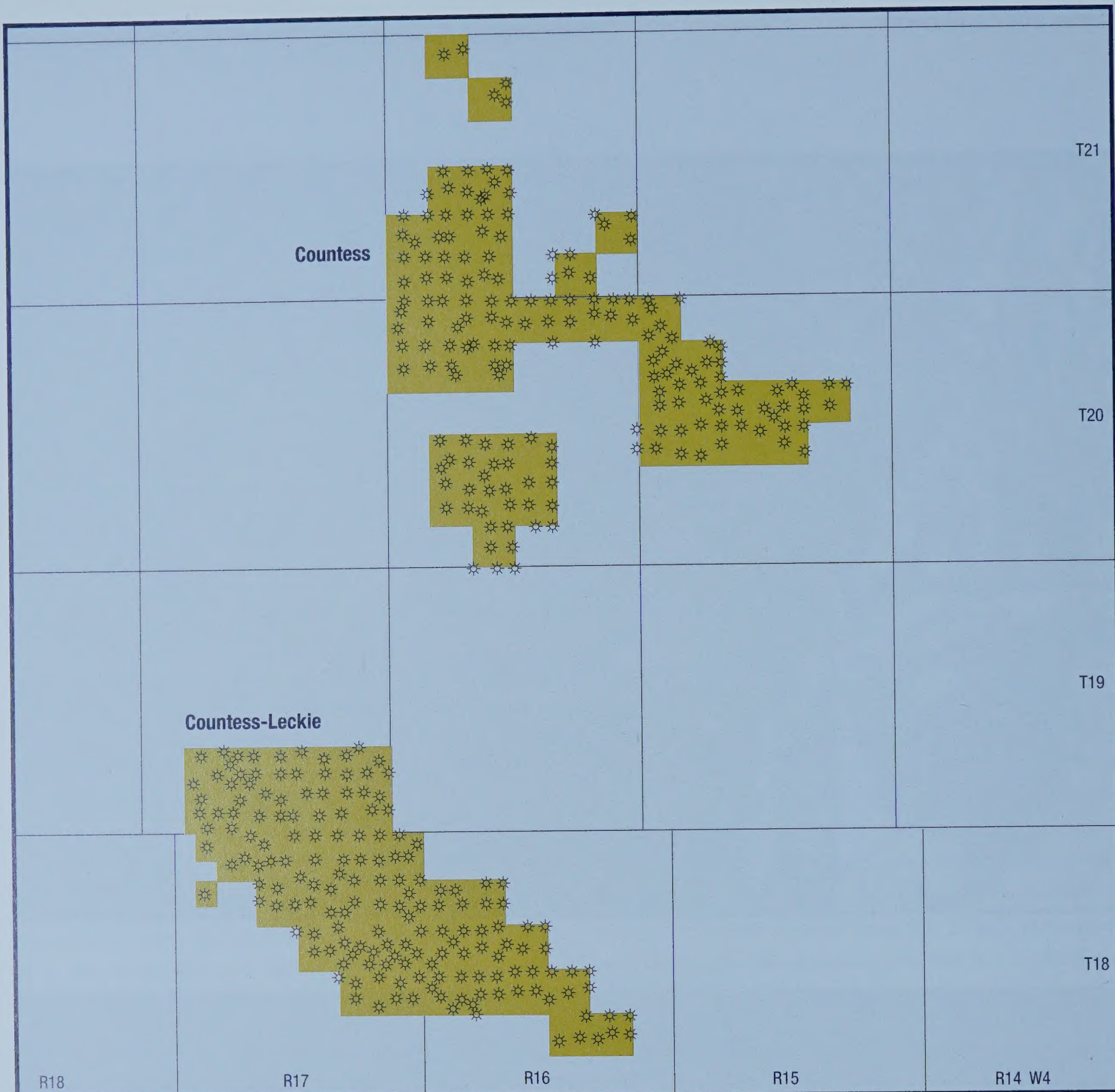
Steven Cloutier

Steven Cloutier
Executive Vice President and Chief Operating Officer
APF Energy Management Inc.
April 26, 2002



	Average Percent Interest	Company Interest Reserves	2002 Estimated Net Production	Asset Value	
	%	(Mboe)	(Boe/day)	($000s) [1]	%
SE Saskatchewan	57	8,490	3,609	51,390	35
Countess	82	5,082	1,615	41,305	28
Pembina	5	3,652	578	18,236	13
Redwater	62	1,367	692	12,013	8
Other Properties		3,451	1,148	23,477	16
Total		22,042	7,642	146,421	100

[1] *Discounted at 12 percent and based on the escalated price and cost forecast contained in the GLJ Report.*

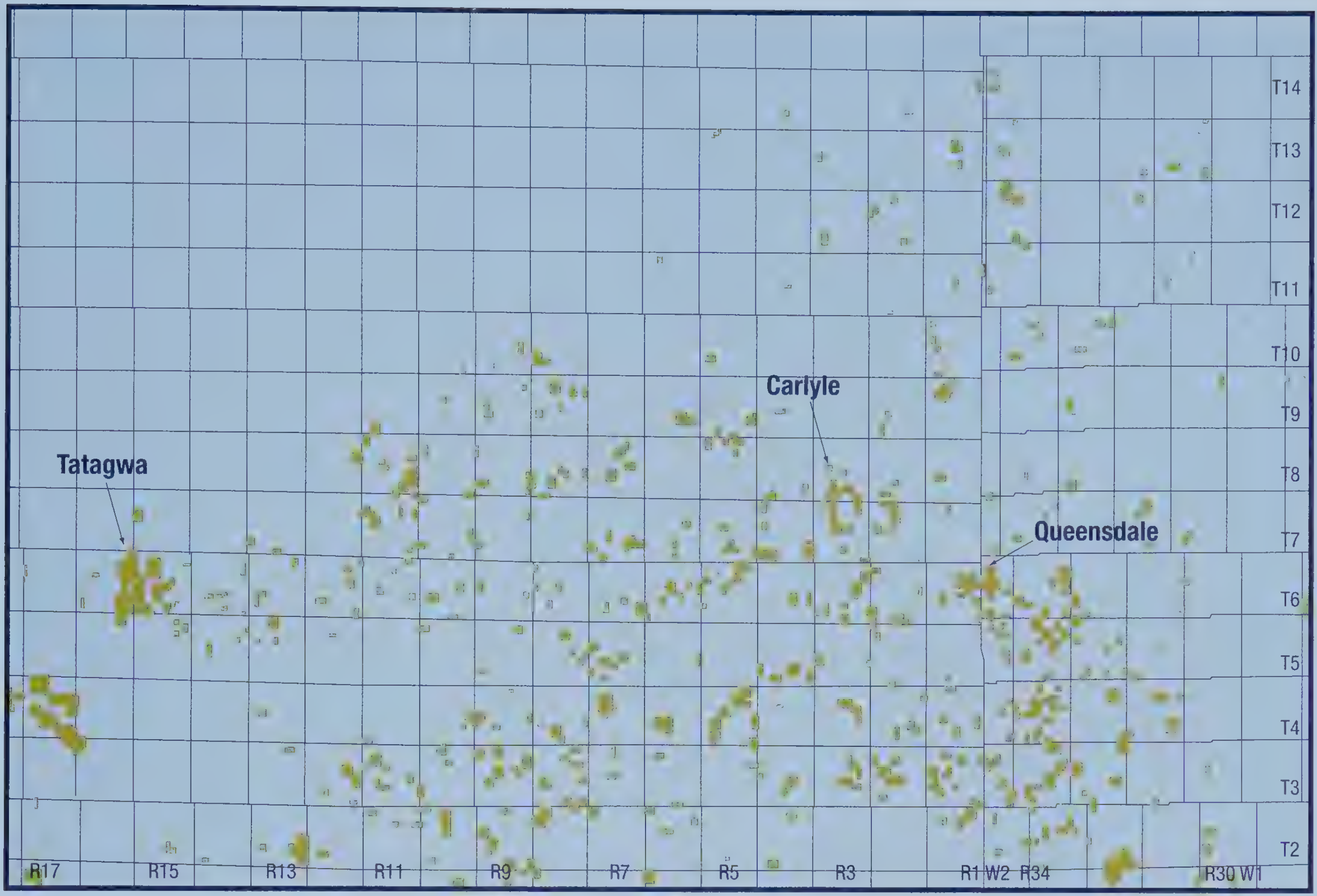


Countess, Alberta

The Countess area in southeast Alberta, which is comprised of both the Countess and Leckie properties, contributes production from a total of 346 natural gas wells. Dry natural gas is produced from the shallow sands of the Belly River, Milk River and Medicine Hat formations. The gas is gathered, dehydrated, and compressed in the field and sold under a long-term contract to TransCanada Gas Services. In addition, APF receives custom compression revenue from surplus capacity in two 720-horsepower compressors.

APF has an average working interest of 75.2 percent in 24,960 acres of land at Countess. During 2001, APF drilled 10 wells on 80-acre spacing. The program produced very positive results and APF plans to drill another 10-20 wells on 100 percent working interest lands during 2002. Production is expected to average 4,979 mcf per day for the year.

At Leckie, APF has a 100 percent working interest in 22,880 acres of land and a 100 percent interest in a compressor station. In 2001, APF drilled 20 wells on 80-acre spacing that targeted the Milk River and Medicine Hat formations. Plans for 2002 include drilling another 10 wells. During 2002, production is expected to average 4,708 mcf per day.



Southeast Saskatchewan

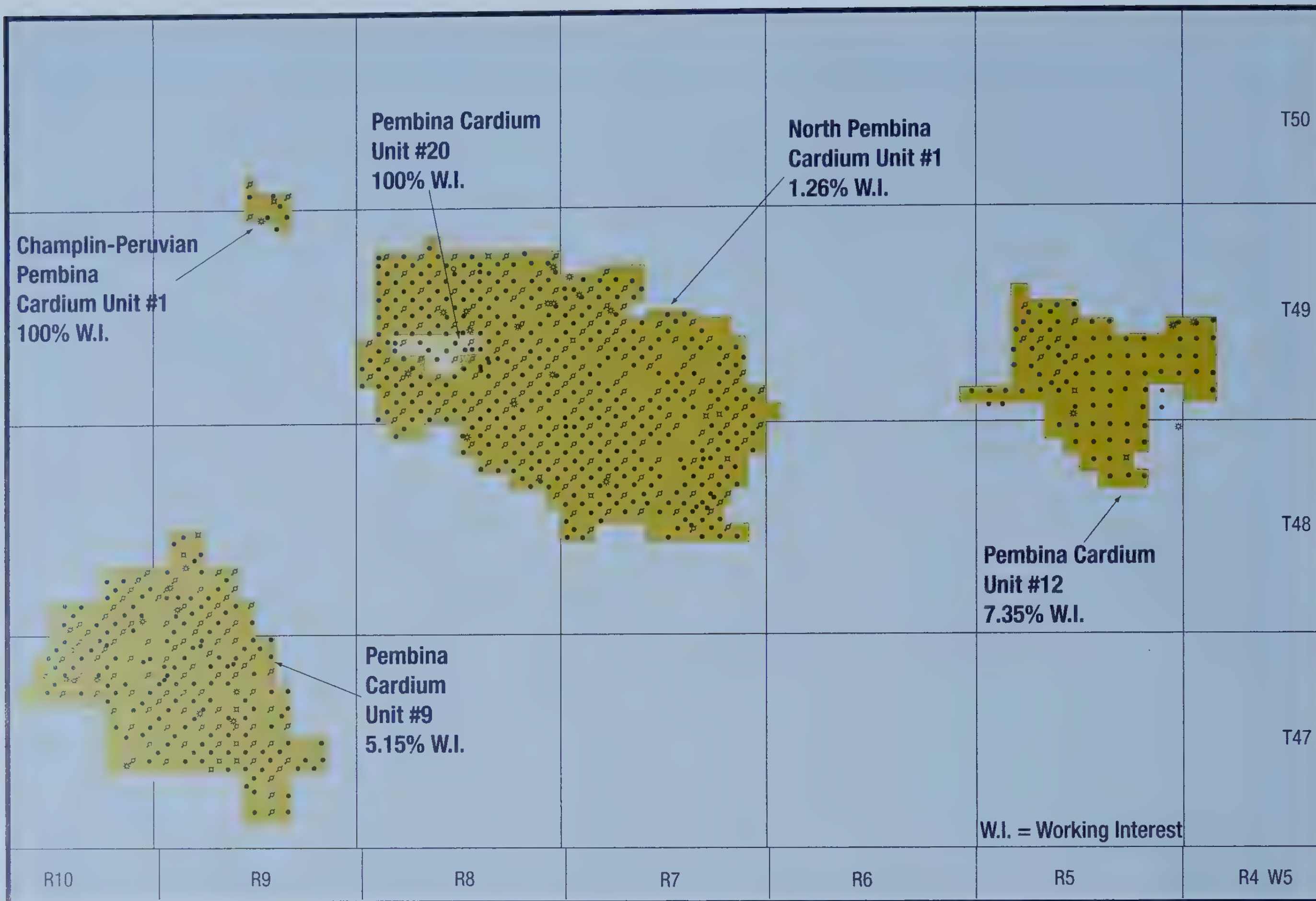
APF acquired approximately 3,600 bbls per day of production in the southeast Saskatchewan area during Q2-2001 with an average working interest of 57 percent in 357 producing oil wells. APF operates most of this production and has ownership in the infrastructure in each of the major areas. Most of APF's oil pools receive pressure support from a regional acquifer. Development during recent years has primarily been through the drilling of horizontal wells.

During 2001, APF drilled eight (5.1 net) horizontal wells and initiated two 3D seismic programs. Plans for 2002 include drilling in excess of 15 horizontal wells. Production for the year is forecast to be 3,609 bbls per day. APF's three major producing areas in the region include Tatagwa, Queensdale and Carlyle.

At Tatagwa, APF has an average 76 percent working interest in 46 producing oil wells for net oil production of 900 bbls per day during 2002. Production is from both the Marly and Vuggy zones of the Midale Formation. APF also holds an 80 percent working interest in the central oil battery and water disposal facility and receives processing income from third parties using the facility. During 2001, APF drilled two (1.6 net) horizontal oil wells and will conduct additional drilling during 2002.

APF holds an average working interest of 68 percent in 48 oil wells at Queensdale. Net production for 2002 is expected to be 948 bbls per day from the Frobisher-Alida zone. APF also has ownership in three central batteries and water disposal facilities in the area. During 2001, APF drilled three (1.8 net) horizontal oil wells. Drilling in the area will continue following an interpretation of a 3D seismic program shot during Q1-2002.

The Carlyle property is forecast to produce 342 bbls per day from nine oil wells at an average working interest of 89 percent. One horizontal oil well was drilled into the Alida zone during 2001 (0.9 net) and will be followed by additional drilling during 2002. A 3D seismic program has been shot in the area during Q1-2002 that will identify further horizontal drilling opportunities. APF also holds a 90 percent working interest in a central battery and water disposal facility at the property.

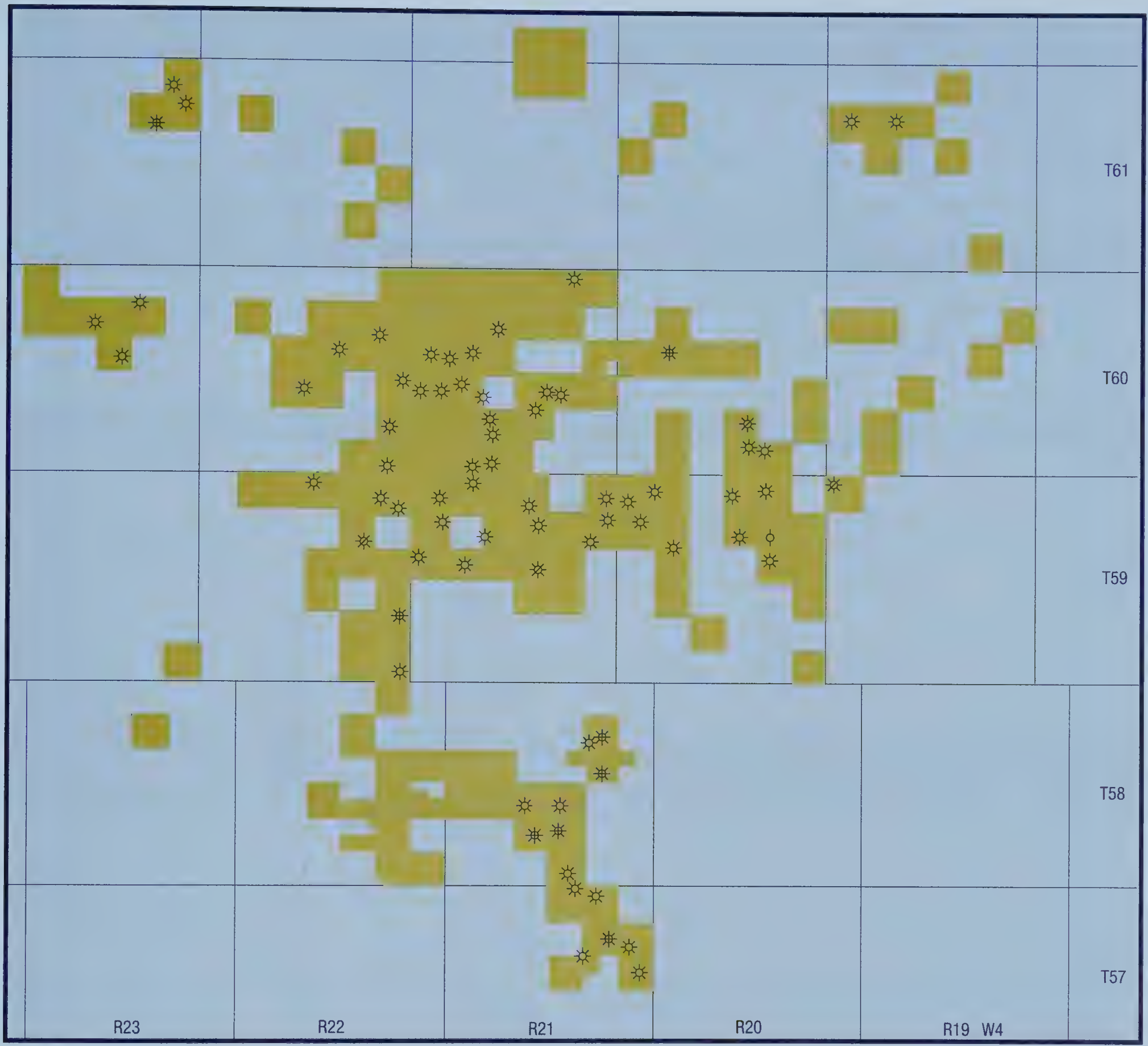


Pembina, Alberta

APF has interests in five Pembina Cardium units located approximately 116 kilometres southwest of Edmonton, including 100 percent working interests and operatorship of Champlin-Peruvian Cardium Unit No. 1 and Pembina Cardium Unit No. 20. APF holds non-operated working interests of 7.35 percent in Pembina Cardium Unit No. 12, 5.15 percent in Pembina Cardium Unit No. 9 and 1.26 percent in North Pembina Cardium Unit No. 1.

Light crude oil is produced from 581 wells under waterflood programs in the Cardium formation in each of the units. Oil is treated at batteries associated with each unit and solution gas is gathered and processed through APF's share of the Pembalta gathering system.

During 2001, APF participated in the drilling of 28 (3.4 net) wells, all of which were completed as successful Cardium oil wells. Several more wells will be drilled during 2002 and production is expected to average 578 bbls per day.



Redwater, Alberta

The Redwater area is located northeast of Edmonton, Alberta. Dry natural gas is produced from a combination of the Wabamun, Detrital, Basal Quartz, Glauconitic, Colony, Second White Specs and Sparky zones. The production is sold under a combination of short and long-term gas contracts, as well as the spot market.

APF has an average 62 percent working interest in 59 producing wells that cover approximately 167 sections of land. During 2001, APF recompleted five wells and drilled six (3.4 net) wells, resulting in 1.3 net gas wells and 0.1 net suspended wells. APF acquired 17 sections of land at Crown land sales during the year. Plans for 2002 include drilling five wells and the recompletion of seven wells. Production during 2002 is expected to average 4,151 mcf per day.

OIL AND NATURAL GAS RESERVES

Gilbert Laustsen Jung Associates Ltd. (GLJ), independent petroleum consultants, prepared a report on the reserves attributable to APF's properties and the present value of the estimated future net cash flow associated with such reserves effective January 1, 2002. All evaluations of future net cash flow in the GLJ report are after deductions of estimated future capital expenditures, royalty burdens, operating expenses and well abandonment costs and prior to any provision for income taxes, debt service charges, management fees and general and administrative costs.

Summary of Reserves at January 1, 2002

Reserve Volumes	Oil	Natural Gas	NGLs	Total
	(Mbbl)	(Mmcf)	(Mbbl)	(Mboe)
Proved Producing	10,473	39,361	441	17,474
Proved Non-Producing	785	4,780	41	1,623
Total Proved	11,258	44,141	482	19,097
Probable (risked at 50%)	1,762	6,843	43	2,945
Established	13,020	50,984	525	22,042

Estimated Future Net Cash Flow at January 1, 2002

Reserve Values ($000)	PV 0%	PV 10%	PV 12%	PV 15%
Proved Producing	217,079	129,016	120,481	109,975
Proved Non-Producing	22,724	13,595	12,581	11,281
Total Proved	239,803	142,611	133,062	121,256
Probable (risked at 50%)	39,803	15,256	13,359	11,170
Established	279,606	157,867	146,421	132,426

January 1, 2002 Gilbert Laustsen Jung Associates Ltd. Pricing Assumptions

Year	Exchange	WTI Oil	Edmonton Oil	Alberta Gas
	$US/$CDN	$US/Bbl	$CDN/Bbl	$CDN/Mmbtu
2002	0.635	20.00	30.75	3.95
2003	0.650	21.00	31.25	4.35
2004	0.670	21.00	30.50	4.45
2005	0.690	21.00	29.50	4.50

The following table contains a reconciliation of APF's reserves for the most recently completed calendar year:

Reconciliation of Reserves

	Oil	Natural Gas	NGLs	Total
	(Mbbl)	(Bcf)	(Mbbl)	(Mboe)[1]
Reserves at January 1, 2001	5,212	46.4	436	13,375
Acquisitions	7,747	4.7	157	8,697
Drilling and Development	1,510	5.1	9	2,369
Divestitures	(509)	(0.7)	(19)	(633)
Production	(1,071)	(5.7)	(43)	(2,063)
Revisions	130	1.0	(15)	297
Reserves per GLJ Report	13,020	51.0	525	22,042

Columns may not add due to rounding.

CAPITAL EXPENDITURES

The following table summarizes APF's capital expenditures for the years indicated:

Years Ended December 31,	2001	2000	1999	1998
Property Acquisition	$ 105,717,382	$ 13,248,833	$ 3,895,223	$ 27,900,314
Land Acquisition	$ 239,443	$ 146,522	$ 143,297	$ 130,051
Seismic	$ 207,596	$ 15,292	$ 98,572	$ 62,160
Drilling and Completions	$ 12,490,233	$ 3,912,099	$ 2,231,638	$ 584,805
Production Facilities	$ 3,339,714	$ 1,618,772	$ 949,749	$ 500,427
Other	$ (52,148)	$ –	$ 5,480	$ (286,065)
Subtotal	$ 121,942,220	$ 18,941,518	$ 7,323,959	$ 28,891,692
Dispositions (including swaps)	$ (6,903,199)	$ (12,392,879)	$ (2,326,397)	$ (7,333,924)
Net Capital Expenditures	$ 115,039,021	$ 6,548,639	$ 4,997,562	$ 21,557,768

Efficiency of the Capital Program

	2001	2000	1999	1998	1997
Operating Netback ($/boe) [1]	20.42	21.28	10.11	7.31	8.78
F&D Costs ($/boe) [2]	11.03	6.02	6.77	3.58	4.75
Recycle Ratio [3]	1.85	3.54	1.49	2.04	1.85
Cumulative F&D Costs Since Inception ($/boe)	6.66	4.60	4.37	4.24	4.72

[1] *Defined as total revenue less royalties and operating costs.*

[2] *Finding and Development costs (F&D) represent acquisition costs, and drilling and development costs.*

[3] *The recycle ratio is a key measure of the efficiency in which new reserves are added. It is defined as the operating netback divided by the F&D costs.*

UNDEVELOPED LAND HOLDINGS

In addition to the reserves, GLJ also valued APF's 109,513 acres of undeveloped land at $4.9 million. The value was derived by reference to historical land sales proximate to APF's undeveloped acreage, and considering APF's applicable working interest. The breakdown is as follows:

Acreage at Year End	Gross Acres	Net Acres
Alberta	93,068	48,559
Saskatchewan	148,794	60,585
Manitoba	930	369
Total	242,792	109,513

DRILLING HISTORY

The following table sets forth the drilling activity for APF for the years indicated:

Years Ended December 31,	2001		2000		1999		1998	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Oil Wells	40	8.9	33	3.2	17	1.0	26	0.3
Gas Wells	33	31.4	65	14.8	6	6.0	29	0.8
Other	1	0.1	27	0.5	38	0.7	–	–
Dry and Abandoned	2	2.0	–	–	14	0.1	–	–
Total	76	42.2	125	18.5	75	7.8	55	1.1
Success Rate		95%		100%		99%		100%

MARKETING ARRANGEMENTS

As at January 1, 2002, the Corporation's production mix was approximately 61 percent oil and natural gas liquids and 39 percent natural gas. Except for Redwater, where gas is predominantly sold on the spot market or into short-term contracts, the balance of gas production (approximately 60 percent) is sold to aggregators pursuant to long-term contracts. Crude oil is sold under 30-day evergreen contracts.

GENERAL

APF Energy Trust ("APF" or the "Trust") is an open-end investment trust formed under the laws of the Province of Alberta. APF was formed for the purpose of acquiring a royalty from APF Energy Inc. (the "Corporation") consisting of 99 percent of the net cash flow generated by oil and gas properties owned by the Corporation. APF and the Corporation are managed by APF Energy Management Inc. (the "Manager"). The principal office of the Trust, the Corporation and the Manager is located at 2100, 144-4th Avenue S.W., Calgary, Alberta, T2P 3N4. The Corporation also has a field office in Estevan, Saskatchewan.

EQUITY ISSUES

On December 17, 1996 APF completed an initial public offering (IPO) of 3.5 million trust units at $10 per unit. Since then, the Trust has issued equity several times. A summary of all financings is set out below:

Type	Date	Price	Units	Gross Proceeds
IPO	December 1996	$ 10.00	3,500,000	$ 35.0 million
New Issue	December 1998	$ 8.00	2,260,000	$ 18.1 million
New Issue	March 2000	$ 7.30	1,222,677	$ 8.9 million
New Issue	March 2001	$ 10.00	3,300,500	$ 33.0 million
Acquisition	April 2001	$ 10.05	901,599	$ 9.1 million
New Issue	June 2001	$ 11.50	3,050,000	$ 35.1 million
Private Placement	October 2001	$ 9.55	1,080,000	$ 10.3 million
New Issue	February 2002	$ 9.75	3,250,000	$ 31.7 million

BUSINESS OBJECTIVES

The goal of the Manager, on behalf of APF and the Corporation, is to provide unitholders with high and stable cash distributions. To achieve this, the Corporation must continually replace and add reserves through acquisitions, drilling and optimization initiatives.

In order to replace reserves and achieve growth, the Manager must be able to identify, evaluate and acquire oil and gas properties. To date, the Manager has demonstrated an ability to complete acquisitions on favourable terms, which have resulted in high and stable distributions for unitholders since the inception of APF. On a go-forward basis, the Manager will continue to use its internal expertise to identify potential acquisitions, but will also rely on financial advisors and other industry sources who are able to present opportunities. The ability of the Corporation to complete these acquisitions will depend on its available credit facilities and on APF being able to raise equity from time to time.

DISTRIBUTIONS

Unitholders of record on a record date are entitled to receive monthly cash distributions. Currently, the record date is the last day of the month. In order to be a unitholder on the record date, units must have been purchased prior to the ex-distribution date, which is two trading days earlier (note that the presence of holidays and weekends may result in the ex-distribution date being more than two calendar days prior to the record date). Units acquired after the ex-distribution date will not qualify for that month's record date, but will qualify for the next record date. Payment to unitholders is made on the 15th day of the following month. As the Trust has an obligation to announce its distribution seven trading days prior to the record date, a news release is generally disseminated between the 18th and 22nd day of the month. Following is a list of the current year's ex-distribution, record and payment dates.

APF Energy Trust 2002 Key Distribution Dates

News Release Date	Ex-Distribution Date	Record Date	Payment Date
January 22	January 29	January 31	February 15
February 19	February 26	February 28	March 15
March 20	March 26	March 31	April 15
April 19	April 26	April 30	May 15
May 22	May 29	May 31	June 15
June 20	June 26	June 30	July 15
July 22	July 29	July 31	August 15
August 21	August 28	August 31	September 15
September 19	September 26	September 30	October 15
October 22	October 29	October 31	November 15
November 21	November 27	November 30	December 15
December 18	December 27	December 31	January 15

Each distribution has a component which is return of capital and one which is taxable as income. That portion which is a return of capital reduces a unitholder's adjusted cost base. On or about March 15th of each year, the Trust issues a news release and posts tax information to its website. Actual T-3 tax slips showing the taxable portion of the distribution are then provided to registered unitholders, who in turn generate their own T-3 tax slips for dissemination to beneficial unitholders. Set out below is a history of distributions made by the Trust since inception, including the tax breakdown:

APF Energy Trust Historical Distributions and Tax Information

Year	Amount	% Income	% Return of Capital
1997	$ 1.510	39.563	60.464
1998	$ 1.840	24.625	75.375
1999	$ 1.555	33.826	66.174
2000	$ 1.900	62.137	37.863
2001	$ 3.045	57.166	42.834

Where practicable, APF retains a portion of distributable income to unitholders, as reasonably determined by the Manager to, among other things, fund capital expenditure or acquisitions, stabilize future distributions or advance funds to the Corporation to temporarily reduce its indebtedness to its bankers. The ability to retain such surplus cash flow is primarily dependent on commodity prices and production levels.

MEETINGS, VOTING AND CORPORATE GOVERNANCE

Unitholders are entitled to elect a majority of the Corporation's Board of Directors pursuant to the terms of a unanimous shareholder agreement. Subject to the ultimate authority of the Corporation's Board of Directors, the Corporation and APF are managed by the Manager. Pursuant to a royalty agreement, substantially all of the economic benefit derived from the assets of the Corporation accrues to the benefit of APF and ultimately to the unitholders. The Corporation has a Board of Directors consisting of five individuals, three of whom are independent directors, and two of whom were elected by the Manager. The Chairman of the Board of Directors of the Corporation is an independent director. In turn, the Board of Directors has created the following committees, each of which has a majority of independent directors: audit committee, reserves committee, and compensation committee. The Board of Directors and the committees meet on a regular basis throughout the year. APF's trust indenture provides that annual meetings of unitholders shall be held. Special meetings of unitholders may be called at any time

by the trustee upon the written request of unitholders holding in aggregate not less than 20 percent of the trust units. Notice of all meetings of unitholders shall be given to unitholders at least 21 days prior to the meeting.

Unitholders may attend and vote at all meetings of such holders either in person or by proxy and a proxy holder need not be a holder of trust units. Two persons present in person or represented by proxy and representing in the aggregate not less than 10 percent of the votes attaching to all outstanding trust units constitute a quorum for the transaction of business at all such meetings.

Unitholders are entitled to one vote per trust unit at all meetings. A special resolution is required to, among other things, substantively amend the Trust Indenture, remove the Trustee or terminate APF as a trust. A special resolution is also required to make substantive amendments to the material contracts of APF and to sell or agree to sell the property of APF (including the Royalty) as an entirety or substantially as an entirety.

TRUST UNITS

A maximum of 500 million trust units have been created and may be issued pursuant to the trust indenture. All issued trust units share equally in all distributions from APF and carry equal voting rights at meetings of unitholders.

To the best of the knowledge of the Trust, the Corporation or the Manager, there is no person or corporation which beneficially owns, directly or indirectly, or exercises control or direction over trust units carrying more than 10 percent of the voting rights attached to the issued and outstanding trust units of APF.

At year end, the number of trust units that are owned, directly or indirectly, by the Manager, all directors and officers of the Manager and of the Corporation and their associates as a group is 357,842 (2.3 percent) of the outstanding trust units. In addition, the directors, officers and employees of the Corporation and the Manager hold options entitling them as a group to acquire an additional 330,540 trust units.

TRADING HISTORY

Trust units of APF are traded on The Toronto Stock Exchange under the symbol "AY.UN". At year-end 2001 there were 15,583,880 units outstanding (December 31, 2000 – 7,139,357). The weighted average units outstanding throughout the year was 12,578,032 (December 31, 2000 – 6,888,012). In February 2002 the Trust issued 3,250,000 units through a public offering bringing the number of units outstanding to 18,833,880. The following table sets forth the high, low and closing prices as well as the average daily volume traded for the periods indicated:

Period	High	Low	Close	Average Daily Volume
1997	$ 10.70	$ 8.75	$ 9.10	9,600
1998	$ 9.75	$ 7.65	$ 8.00	4,900
1999	$ 9.70	$ 7.25	$ 8.10	9,500
2000	$ 10.40	$ 7.00	$ 9.75	10,000
2001				
First Quarter	$ 10.70	$ 9.65	$ 10.00	39,700
Second Quarter	$ 13.40	$ 9.63	$ 11.10	60,400
Third Quarter	$ 11.50	$ 9.01	$ 9.39	40,200
Fourth Quarter	$ 10.65	$ 8.75	$ 9.85	45,700
2002				
First Quarter	$ 10.99	$ 9.35	$ 10.85	64,900

The following discussion should be read in conjunction with the audited consolidated financial statements included elsewhere in this annual report.

PRODUCTION

Production volumes for 2001 averaged 5,832 boe per day, consisting of 15,391 mcf per day of natural gas, 3,167 bbls per day of oil and 100 bbls per day of NGLs. This represents a 60 percent increase from the 2000 average of 3,648 boe per day. The increase is primarily a result of the acquisition of Alliance Energy Inc. and the acquisition of assets in Southeast Saskatchewan (the "Alliance acquisition").

PRICES

Crude Oil

The West Texas Intermediate (WTI) oil price averaged US$25.94 per bbl in 2001, down 15 percent from US$30.35 per bbl in 2000. Crude oil prices in Canada are based on the WTI reference price, adjusted for transportation, differentials and foreign exchange. The price received by APF is based upon the refiners' posted price, less transportation and adjustments for APF's product quality relative to the posted prices. APF's average price in 2001 was $32.20 per bbl, 25 percent lower than the average price of $42.67 per bbl received in 2000. APF's crude oil mix in 2001 was 46 percent light gravity oil (greater than 35 API), 53 percent medium gravity and 1 percent heavy gravity oil (less than 23 API). APF's average oil price, net of all hedging transactions, decreased 19 percent in 2001 to $33.64 per bbl as compared to $41.40 per bbl in 2000.

Natural Gas

Natural gas prices were very strong through the first quarter of 2001, but weakened significantly during the balance of 2001. The average price realized by APF during 2001 was $5.25 per mcf, 7 percent higher than the price of $4.89 per mcf in 2000. After hedging, the price realized by APF in 2001 was $4.94 per mcf, compared to $4.72 per mcf in 2000.

HEDGING

Commodity prices were extremely volatile during 2001. Although there was a dramatic confluence of high oil and gas prices during the first quarter, a slowing economy, higher inventories and other world and domestic events contributed to weaker prices later in the year. APF actively manages commodity price risk by entering into hedging contracts to protect revenue from fluctuations in commodity prices. One of APF's goals is to lock in the prices which are higher than those forecast in the GLJ Report. For 2002, APF has hedged approximately 45 percent of oil production and 13 percent of natural gas production utilizing a variety of contracts under which the quantity and price vary depending on the market price of the commodity as detailed in the following table:

Month	Oil		Natural Gas (Costless Collars)	
	Volume (Bbl/d)	Price (US$/bbl)	Volume (Mcf/d)	Price (C$/mcf)
Jan-02	2,000	27.38	2,625	3.94 - 4.78
Feb-02	2,000	24.00	2,625	3.94 - 4.78
Mar-02	2,000	23.85	2,625	3.94 - 4.78
Apr-02	2,000	21.83	2,100	4.20 - 5.51
May-02	3,000	22.39	2,100	4.20 - 5.51
Jun-02	3,000	20.92	2,100	4.20 - 5.51
Jul-02	3,000	20.95	2,100	4.20 - 5.80
Aug-02	2,000	22.11	2,100	4.20 - 5.80
Sep-02	1,500	22.64	2,100	4.20 - 5.80
Oct-02	1,000	24.46	2,100	4.20 - 7.06
Nov-02	1,000	24.55	2,100	4.20 - 7.06
Dec-02	1,000	24.42	2,100	4.20 - 7.06
Jan-03	–	–	2,100	4.20 - 8.22
Feb-03	–	–	2,100	4.20 - 8.22
Mar-03	–	–	2,100	4.20 - 8.22

Note: GLJ 2002 prices: Oil US$20.00/bbl
Gas C$3.95/mcf

REVENUE

The increase in production volumes as a result of the Alliance acquisition resulted in production revenues increasing to $68.0 million ($67.9 million prior to hedging gains) in 2001, compared to $44.0 million ($45.2 million prior to hedging losses) in 2000. Other income, including royalty and processing fee income, totalled $1.9 million in 2001 compared to $0.9 million in 2000. Total revenues net of hedging gains and losses were $69.9 million in 2001 and $45.0 million in 2002.

NETBACKS

Operating netbacks were 4 percent lower at $20.42 per boe in 2001 compared to $21.28 per boe in 2000 as lower oil prices offset the increase in natural gas prices during 2001. The higher natural gas prices during 2001 resulted in royalties, net of Alberta Royalty Tax Credit, increasing to 19.7 percent of production revenues prior to hedging gains, from 18.9 percent in 2000. Operating costs increased nominally to $6.15 per boe during 2001 from $6.01 per boe in 2000. The majority of the increase can be attributed to initial field optimization costs associated with the Alliance acquisition.

Netback ($/boe)	2001	2000	1999	1998	1997
Average Selling Price	31.88	34.01	18.56	13.36	14.97
Other Income	0.89	0.69	0.77	0.75	0.93
Hedging Gain (Loss)	0.08	(1.03)	(0.82)	0.56	–
Net Selling Price	32.85	33.68	18.50	14.66	15.90
Royalties	6.28	6.39	2.92	2.48	2.69
Operating Costs	6.15	6.01	5.47	4.88	4.44
Netback	20.42	21.28	10.11	7.31	8.78

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased in 2001 to $1.58 per boe from $1.38 per boe in 2000. The increase reflects the hiring of new staff and the cost of additional office space resulting from the Alliance acquisition and in anticipation of future acquisitions.

MANAGEMENT FEES

The Manager receives a management fee equal to 3.5 percent of net production revenue. Management fees amounted to $1.5 million or $0.71 per boe compared to $1.0 million or $0.74 per boe in 2000. The overall increase in management fees is attributable to higher production volumes and the resulting impact on production revenues.

INTEREST EXPENSE

Interest expense increased to $3.0 million in 2001 from $1.9 million in 2000 as a result of a higher monthly debt balance resulting from the Alliance acquisition and an increased capital expenditure program. The overall increase in interest expense was partially offset by declining interest rates.

DEPLETION AND AMORTIZATION

The depletion rate increased to $9.29 per boe from $5.39 per boe in 2000. The increase in the depletion rate reflects the accounting treatment of the Alliance acquisition. The book value of the assets to be depleted was increased by $29.9 million for potential future income taxes.

It is not anticipated that APF Energy will pay income taxes in the near future and therefore the future income tax liability will be brought into income over time, offsetting the higher depletion rate. In 2001, the income tax recovery was $2.43 per boe.

SITE RESTORATION

The site restoration provision increased to $1.3 million in 2001 from $0.9 million in 2000 reflecting the increase in the future estimated costs for site restoration liabilities of $17.7 million at December 31, 2001, compared to $8.3 million at December 31, 2000. The increase is attributable to the Alliance acquisition.

TAXES

Capital taxes for 2001 amounted to $1.2 million versus $0.2 million in 2000. Capital taxes are based on debt and equity levels at the end of the year in conjunction with the percentage of business carried on in each provincial jurisdiction. The increase is a direct result of APF carrying on a higher proportion of its business in the province of Saskatchewan and higher debt and equity levels.

As a result of the Alliance acquisition, a future income tax liability of $29.9 million was recognized in APF Energy. This liability reflects the difference between the purchase price and the amount of tax pools in Alliance at the date of purchase. As a result of the tax structure between APF and APF Energy, income tax liabilities will not be paid by APF Energy, but will instead be passed on to unitholders along with the income. Accordingly, this future income tax liability will reduce each year and will be recognized as an income tax recovery at that time.

At December 31, 2001, APF had income tax pools and issue costs of $72.8 million (2000 – $36.9 million) to reduce the taxable portion of future cash distributions. In addition at December 31, 2001, APF Energy had $33.5 million of income tax pools (2000 – $10.6 million) and $14.6 million of non-capital losses (2000 – $2.1 million) to be used to eliminate future income taxes.

EARNINGS

Earnings increased by 29 percent to $18.1 million in 2001 from $14.1 million in 2000 as a result of the total changes in revenues and expenses arising primarily from the Alliance acquisition and commodity prices.

CASH DISTRIBUTIONS

Record cash distributions of $37.3 million or $2.98 per trust unit were earned for the fiscal year ended December 31, 2001, compared to $13.9 million or $2.00 per trust unit in 2000. The discrepancy between amounts earned and distributions paid to unitholders relates to the timing of the recognition of revenue for accounting purposes. During 2001, APF utilized $3.7 million of its working capital reserve to maintain a stable cash distribution level. For 2002, APF intends to maintain its historical policy of retaining a portion of available cash flow to fund capital expenditures and development initiatives.

Historical cash distributions paid to December 31, 2001 are as follows:

Distribution Date ($)	2001	2000	1999	1998	1997
January 15th	0.220	0.125	0.120	0.475	0.210
February 15th	0.250	0.125	0.160	–	–
March 15th	0.250	0.125	0.120	0.120	–
April 15th	0.225	0.125	0.120	0.120	0.455
May 15th	0.300	0.125	0.160	0.175	–
June 15th	0.300	0.135	0.120	0.120	–
July 15th	0.300	0.135	0.120	0.120	0.420
August 15th	0.300	0.135	0.135	0.175	–
September 15th	0.250	0.140	0.125	0.120	–
October 15th	0.250	0.210	0.125	0.120	0.425
November 15th	0.200	0.210	0.125	0.175	–
December 15th	0.200	0.310	0.125	0.120	–
Total	3.045	1.900	1.555	1.840	1.510
Cumulative Total	9.850	6.805	4.905	3.350	1.510

LIQUIDITY AND CAPITAL RESOURCES

Bank debt at December 31, 2001 was $59.3 million and working capital at December 31, 2001 was $0.9 million. APF has a $77 million credit facility with a syndicate of three major banks. Following a recent public equity financing in February 2002, APF reduced its bank debt by $29.9 million.

The ratio of net debt to total capitalization at the end of 2001 was 28 percent (25 percent in 2000). The historical capital structure of APF is represented in the following table:

	2001	2000	1999	1998	1997
Year-end Long-term Debt ($000s)	59,250	25,736	33,171	23,823	21,900
Working Capital (Deficiency) ($000s)	949	2,206	(1,726)	676	2,129
Net Debt ($000s)	58,301	23,530	34,897	23,146	19,771
Units Outstanding (000s)	15,584	7,139	5,890	5,890	3,500
Year-end Market Price ($)	9.85	9.75	8.10	8.00	9.10
Market Capitalization ($000s)	153,501	69,605	47,709	47,120	31,850
Enterprise Value ($000s)	211,802	93,135	82,606	70,266	51,621
Net Debt to Total Capitalization (%)	28	25	42	33	38

UNITHOLDERS' EQUITY

At December 31, 2001, APF had 15.58 million trust units outstanding and a market capitalization of approximately $153.5 million. During 2001, APF completed two public equity financings, raising gross proceeds of $68.1 million ($63.0 million net). In March 2001, APF issued 3.3 million trust units at $10.00 per trust unit and in June 2001, APF issued 3.5 million trust units at $11.50 per trust unit. These funds were initially used to reduce bank debt and ultimately to finance the Alliance acquisition.

In October 2001, APF completed a private equity financing which raised $10.3 million on the issuance of 1.1 million units at $9.55 per trust unit. These funds were used to reduce bank debt and to partially fund capital expenditures. As part of the Alliance acquisition, 0.9 million trust units were issued at a price of $10.05 per trust unit. During 2001, 112,424 trust units (26,759 in 2000) were issued pursuant to the trust unit incentive plan for total proceeds of $1.0 million ($0.2 million in 2000).

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

APF Energy Management Inc., as manager of APF Energy Trust and APF Energy Inc., is responsible for the preparation of the consolidated financial statements and the preparation of all other financial information included in the annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and where applicable, amounts based on management's best estimates and judgement.

Management has established procedures and systems of internal control designed to provide reasonable assurance that assets are safeguarded and that accurate financial information is produced in a timely manner.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements, and through its Audit Committee, ensuring that management fulfills its responsibilities for financial reporting. The Audit Committee meets periodically with management and the external auditors to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the consolidated financial statements and recommends their approval to the Board of Directors. PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, appointed by the unitholders of APF Energy Trust, have audited the consolidated financial statements in accordance with generally accepted auditing standards. PricewaterhouseCoopers LLP have full and free access to the Audit Committee.

Martin Hislop
President and Chief Executive Officer
Calgary, Alberta
March 18, 2002

Alan MacDonald
Vice President, Finance

AUDITORS' REPORT

To the Unitholders of APF Energy Trust

We have audited the consolidated balance sheets of APF Energy Trust as at December 31, 2001 and 2000 and the consolidated statements of operations and retained earnings, cash flows and cash distributions and accumulated cash distributions for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
March 18, 2002

CONSOLIDATED BALANCE SHEETS

As at December 31,	2001	2000
ASSETS		
Current assets		
Cash	$ 2,042,909	$ 66,231
Accounts receivable	9,979,202	7,443,285
Other current assets	2,376,422	1,341,398
	14,398,533	8,850,914
Site restoration fund	29,389	–
Property, plant and equipment (note 5)	183,748,484	58,537,348
	$ 198,176,406	$ 67,388,262
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	10,024,004	4,388,318
Due to APF Management Inc. (note 12)	1,087,685	685,988
Cash distribution payable	2,337,582	1,570,659
	13,449,271	6,644,965
Future income taxes (note 11)	29,430,306	4,652,982
Long-term debt (note 8)	59,250,000	25,735,555
Site restoration liability (note 6)	3,637,539	2,143,041
	$ 105,767,116	$ 39,176,543
UNITHOLDERS' EQUITY		
Unitholders' investment account (note 9)	141,068,870	57,704,112
Retained earnings	24,224,117	6,080,453
Accumulated cash distributions	(72,883,697)	(35,572,846)
	92,409,290	28,211,719
	$ 198,176,406	$ 67,388,262

See accompanying notes to the financial statements

Approved on behalf of the Board:

Director

Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

As at December 31,	2001	2000
REVENUE		
Oil and gas	$ 68,038,666	$ 44,046,732
Royalties expense, net of ARTC	(13,363,789)	(8,529,767)
Other	1,885,657	927,722
	56,560,534	36,444,687
EXPENSES		
Operating	13,086,271	8,021,144
General and administrative (note 12)	3,360,236	1,844,203
Management fee (note 12)	1,503,291	993,245
Interest on long-term debt	3,047,933	1,882,285
Depletion and amortization	19,778,736	7,174,725
Site restoration	1,292,645	904,458
Capital and other taxes	1,172,302	164,230
	43,241,414	20,984,290
Unusual item	–	(210,212)
Income before income taxes and minority interest	13,319,120	15,670,609
Provision for (recovery of) future income taxes (note 11)	(5,173,528)	1,406,000
Income before minority interest	18,492,648	14,264,609
Minority interest (note 12)	348,984	189,892
Net income	18,143,664	14,074,717
Retained earnings (deficit) – Beginning of year	6,080,453	(5,797,283)
Adjustment for change in accounting policy (note 3)	–	(2,196,981)
Retained earnings – End of year	$ 24,224,117	$ 6,080,453
Net income per unit	$ 1.44	$ 2.04
Net income per unit – diluted (restated)	$ 1.44	$ 2.04

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	2001	2000
Cash provided by (used in)		
Operating activities		
Net income for the year	$ 18,143,664	$ 14,074,717
Items not affecting cash		
Depletion and amortization	19,778,736	7,174,725
Minority interest	348,984	189,892
Future income taxes	(5,173,528)	1,406,000
Site restoration	1,292,645	904,458
Site restoration expenditures (note 6)	(395,611)	(43,544)
	33,994,890	23,706,248
Net change in non-cash working capital items		
Accounts receivable	339,583	(3,367,989)
Other current assets	(992,615)	(733,588)
Accounts payable and accrued liabilities	(2,412,295)	1,826,914
Due to APF Management	401,697	396,271
Cash distribution payable	766,923	834,419
Current portion of discontinued acquisition	–	(2,742,270)
	(1,896,707)	(3,786,243)
Cash distributions	(37,310,851)	(13,898,859)
	(5,212,668)	6,021,146
Investing activities		
Purchase of Alliance Energy Inc.	(38,866,268)	–
Purchase of oil and natural gas properties	(63,794,535)	(18,941,517)
Changes in non-cash working capital items – accounts payable	3,957,190	(176,214)
	(98,703,613)	(19,117,731)
Proceeds on sale of properties	6,903,199	12,392,878
Long-term asset investment – net	–	950,000
Site restoration fund reserve	(29,389)	–
	(91,829,803)	(5,774,853)
Financing activities		
Discontinued acquisition liability	–	(650,803)
Issue of units for cash	78,394,000	8,925,542
Issue of units for cash under stock options	990,492	216,398
Unit issue costs	(5,080,804)	(1,142,523)
Proceeds on issue of long-term debt – net	25,064,445	–
Repayment of long-term debt – net	–	(7,435,334)
Distribution to 1% minority interest	(348,984)	(189,892)
	99,019,149	(276,612)
Change in cash during the year	1,976,678	(30,319)
Cash – Beginning of year	66,231	96,550
Cash – End of year	$ 2,042,909	$ 66,231

Supplemental information (note 14)

CONSOLIDATED STATEMENTS OF CASH DISTRIBUTIONS AND ACCUMULATED CASH DISTRIBUTIONS

For the years ended December 31,	2001	2000
Oil and gas sales	$ 68,038,666	$ 44,046,732
Other	1,885,657	927,722
Gross overriding royalties and lessor's royalties	(6,128,274)	(4,124,993)
	63,796,049	40,849,461
Less		
Operating costs	13,086,271	8,021,144
General and administrative	2,893,732	1,502,184
Management fees	1,503,291	993,245
Debt service charges (including interest and principal)	3,047,933	10,798,865
Abandonment fund contribution	425,000	43,544
Capital and other taxes	1,172,302	164,230
Capital expenditures	16,224,837	5,628,238
Drawdown on credit facilities	(16,224,837)	(5,628,238)
	22,128,529	21,523,212
Income subject to the Royalty	41,667,520	19,326,249
99% of income subject to the Royalty	41,250,845	19,132,986
Crown charges, net of Alberta Royalty Tax Credit	(7,163,159)	(4,360,727)
General and administrative costs of the Trust	(466,504)	(338,598)
	33,621,182	14,433,661
Repayment of capital (working capital reserve)	3,689,669	(534,998)
Cash distributed and available to be distributed	37,310,851	13,898,663
Cash distributed to date	34,973,269	12,328,004
Cash distribution payable	$ 2,337,582	$ 1,570,659
Actual cash distribution declared per unit	$ 2.98	$ 2.00
Opening accumulated cash distributions	$ 35,572,846	$ 21,673,983
Distribution declared and paid	34,973,269	12,328,204
Distribution declared and payable	2,337,582	1,570,659
Closing accumulated cash distributions	$ 72,883,697	$ 35,572,846

The objective and integrity of data in these financial statements, including estimates and judgements relating to matters not concluded by year end, are the responsibility of management of APF Energy Trust ("Trust"). In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Trust's accounting policies.

1. BASIS OF PRESENTATION

APF Energy Trust (the "Trust")

The Trust was a closed-end investment trust formed under the laws of the Province of Alberta. The beneficiaries of the Trust (the "Unitholders") are holders of royalty units issued by the Trust (the "Units"). The Trust was a limited purpose trust whose purpose was to invest principally in royalties granted by APF Energy Inc. On July 28, 1999 the Trust became an open-end investment trust which could invest in a variety of shares or debt.

APF Energy Inc. ("Energy")

Energy was incorporated and organized for the purpose of acquiring, developing, exploiting and disposing of oil and natural gas properties, including certain initial properties and granting a royalty thereon to the Trust.

In 2001, the Manager of the Trust, APF Energy Management Inc. ("Management") determined that consolidated rather than combined financial statements was the best presentation of the accounts of the Trust and Energy. Although there is no legal ownership between these entities, Energy through the royalty, effectively transfers substantially all of the economic benefits of the operations to the Trust. The Unitholders also have the right to elect a majority of the directors of Energy. This change did not have a significant effect on the financial statements. The 1 percent minority interest is now included as an expense in the statement of income, rather than treated as a dividend. The amounts were $348,984 for 2001 and $189,892 for 2000.

SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include the accounts of the Trust and Energy and will be referred to as "APF". Although there is no legal ownership between these entities, Energy through the royalty, effectively transfers substantially all of the economic benefits of the operations to the Trust. The Unitholders also have the right to elect a majority of the directors of Energy.

Property, plant and equipment – oil and natural gas

APF follows the full cost method of accounting. All costs of acquiring oil and natural gas properties and related development costs are capitalized and accumulated in a cost centre. Maintenance and repairs are charged against earnings, and renewals and enhancements, which extend the economic life of the property, plant and equipment are capitalized. No general and administrative costs have been capitalized.

Gains and losses are not recognized upon disposition of oil and natural gas properties unless such a disposition would significantly alter the rate of depletion.

Ceiling test

APF places a limit on the aggregate cost of capital assets which may be carried forward for amortization against revenues of future periods (the "ceiling test"). The ceiling test is a cost recovery test whereby the capitalized costs less accumulated depletion, site restoration and future taxes are limited to an amount equal to estimated undiscounted

future net revenues from proved reserves based on year-end prices, plus the unimpaired costs of non-producing properties less estimated future general and administrative expenses, site restoration costs, management fees, financing costs and income taxes related to Energy that are not passed on to the Trust. Future distributions to Unitholders whether or not they are required under the Trust Indenture are not considered as future financing costs for purposes of the ceiling test. Costs and prices at the balance sheet dates are used. Any costs carried on the balance sheet in excess of the ceiling test amount are charged to earnings.

Depletion and amortization

The provision for depletion and amortization of oil and natural gas assets including tangible equipment is calculated using the unit-of-production method based on the estimated working interest share of proved reserves before royalties. Reserves are converted to equivalent units on the basis of approximate relative energy content.

Site restoration and abandonment

The provision for estimated site restoration costs is determined using the unit-of-production method. Actual site restoration costs are charged against the accumulated provision.

Other equipment

All other equipment is carried at cost and is depreciated over the estimated useful life of the assets at annual rates varying from 10 percent to 30 percent.

Joint ventures

Substantially all oil and natural gas production and exploitation activities are conducted jointly with others. Accordingly, the accounts reflect APF's proportionate interest in these activities.

Trust per unit calculations

The Trust has applied the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the diluted calculations.

The per unit income calculations are based on the weighted average number of units outstanding during the period (2001 – 12,578,032 units; 2000 – 6,888,012 units). The dilutive per unit calculations were based on additional incremental units of 29,928 for a total of 12,607,960 (2000 – nil and 6,888,012 units respectively).

Cash distributions declared per unit amount are based on actual distribution for units outstanding at the time of declaration.

Hedging

The Trust uses financial instruments and physical delivery commodity contracts from time to time to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. Gains and losses relating to these transactions are deferred and recognized in the financial statement category to which the hedge relates at the time the underlying commodity is sold or when the positions are settled (note 13).

Cash distributions

Cash distributions are calculated on an accrual basis and are paid to the Unitholders based upon funds available for distribution.

Trust unit-based compensation plan

The Trust has a fixed Trust Unit option plan which is described in note 10. No compensation expense is recognized for this plan when Trust Units or Trust Unit options are issued to employees. Any consideration paid by employees on exercise of Trust Unit options or purchase of Trust Units is credited to Unitholders' investment account. If Trust Units or Trust Unit options are repurchased from employees, the excess of the consideration paid over the carrying amount of the Trust Units or Trust Unit options cancelled is charged to retained earnings.

Income taxes

The Trust is an inter vivos trust for income tax purposes. As such, the Trust is taxable on any taxable income which is not allocated to the Unitholders. The Trust intends to allocate all taxable income to Unitholders. Should the trust incur any income taxes, the funds available for distribution will be reduced accordingly. Provision for income taxes is recorded in Energy at applicable statutory rates. Provision for income taxes is recorded in Energy using the liability method of accounting whereby the future income tax effect of any difference between the accounting and income tax basis of an asset or liability is booked.

Management estimates

The consolidated financial statements include certain management estimates that may require accounting adjustments based on future occurrences. The most significant estimates relate to depletion, amortization and ceiling test calculations for capital assets including future abandonment liabilities as they are based on engineering reserve estimates and estimated future costs.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2001, the accounts of Trust and Energy are consolidated rather than treated as combined. There is no legal ownership between these entities, however the royalty agreement effectively transfers substantially all of the economic benefits of the operations to the Trust. This change does not have a significant effect on the financial statements.

Effective January 1, 2001, the treasury stock method was adopted for calculating diluted earnings per unit. Under this method, all options are assumed issued and the proceeds from exercise are assumed to be used to purchase units at the average market price during the year. The incremental units are included in the denominator of the diluted earnings per unit calculation. The impact of the adoption of the new standard resulted in no change to the diluted net income per share.

Effective January 1, 2000, Energy and Trust adopted the liability method for accounting for income taxes as recommended by the Canadian Institute of Chartered Accountants (CICA). Under the liability method, Energy recorded future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability. Energy, retroactively without adjustment, adopted the CICA recommendations January 1, 2000, by recording additional property, plant and equipment of $1 million and recording a decrease in retained earnings of $2.2 million and an increase in the future income tax liability of $3.2 million. The additions to property, plant and equipment and future income taxes are being amortized to income over future periods.

4. ROYALTY DISTRIBUTION

The Royalty is granted to the Trust pursuant to the Royalty Agreement. The Royalty consists of an entitlement to 99 percent of Royalty Income. The Royalty does not constitute an interest in land and the Trust is not entitled to take its share of production in kind.

"Royalty Income" means Net Production Revenues less the aggregate of the Debt Service Charges (including principal and interest), Management Fees (to the extent Other Revenues are insufficient to pay the Management Fees), G&A and taxes (including income taxes) or other applicable charges payable by Energy, less any advances made pursuant to the credit facilities of Energy to fund the payment of such costs and charges, which included changes to the working capital reserve and which, after July 1, 1998, provides for a working capital reserve to be maintained in Trust.

"Net Production Revenue" means:

a) the amount received by Energy in respect of the sale of its interest in all Petroleum Substances produced from the Properties, together with net profit or loss from commodity price swaps (but not including ARTC, proceeds of disposition of Properties or Other Revenues);

less:

b) Operating Costs and all other expenditures paid or payable by or on behalf of Energy in respect of operating the Properties including, without limitation, the costs of gathering, treating, compressing, processing, transporting and marketing all Petroleum Substances produced from the Properties and all other amounts paid to third parties which are calculated with reference to production from the Properties including, without limitation, gross overriding royalties and lessors' royalties, but excepting Crown Royalties and other applicable charges;

c) capital expenditures intended to improve or maintain production from the Properties, (but not to acquire Additional Properties or Replacement Properties), in excess of amounts borrowed or designated as Deferred Purchase Obligations in respect thereof, but not in excess of 10 percent of the annual net cash flow from the Properties;

d) net contributions to Energy's Reclamation Fund and the Cash Reserve;

e) costs otherwise reimbursed by proceeds of business interruption, property damage and third party liability insurance less any such proceeds;

f) costs of generating Other Revenues; and

g) amounts required to be paid to the Trustee pursuant to the Trust Indenture, including, without limitation, amounts to be paid pursuant to indemnification provisions.

Energy is required to pay to the Trust on each Cash Distribution Date 99 percent of Royalty Income received by Energy from the Properties for the period ending on the last day of the month immediately preceding the Cash Distribution Date.

The Trust pays Energy 99 percent of the Crown Royalties and other Crown charges in respect of production from or ownership of the Properties. Energy is at all times entitled to set off its right to be so reimbursed against its obligation to pay the Royalty.

Energy uses Other Revenues to pay Management Fees, purchase Permitted Investments, pay for Additional Properties, Replacement Properties and capital costs, for net losses, if any, from currency swaps and for general corporate purposes, or to repay borrowing for such purposes.

As and from the time of becoming an open-end Trust, the Trust includes in the calculation of the Royalty Distribution, 100 percent of income before depreciation, amortization and depletion from investments in shares, notes and other investments.

5. CAPITAL ASSETS, AT COST

	2001	2000
Property, plant and equipment	$ 233,209,822	$ 88,219,950
Accumulated depletion and depreciation	(49,461,338)	(29,682,602)
	$ 183,748,484	$ 58,537,348

Costs associated with unproved properties excluded from costs subject to depletion as at December 31, 2001 amounted to $4,928,000 (2000 – $nil).

6. SITE RESTORATION

Energy is responsible for future site restoration costs on all properties. At December 31, 2001 the future undiscounted estimated costs for the site restoration liabilities were $17,698,000, of which $3,637,539 has been provided for. The current year expense charged to the provision was $1,292,645 (2000 – $904,458). Actual payments for abandonment in 2001 were $395,611 (2000 – $43,544).

7. ACQUISITIONS

Effective April 11, 2001, Energy acquired all of the outstanding shares of Alliance Energy Inc. ("Alliance"). In aggregate the purchase price was satisfied by the payment of $35.3 million in cash, the issuance by the Trust of 0.9 million Trust Units at a deemed price of $10.05 per Trust Unit and the assumption of $8.45 million of debt.

Prior to Energy entering into an agreement to acquire Alliance, Alliance had agreed to acquire certain producing properties from an arm's length third party. The total consideration after adjustments was $42.5 million.

The acquisition of Alliance, excluding the properties noted above which are included in purchase of oil and natural gas properties, were accounted for using the purchase method of accounting with net assets acquired and consideration paid as follows:

		2001
Net assets acquired as assigned values		
Bank overdraft	$	(1,453,135)
Working capital deficiency		(1,172,881)
Capital assets		88,098,535
Long-term debt		(8,450,000)
Future income taxes		(29,950,852)
Provision for site restoration costs		(597,464)
Net	$	46,474,203
Consideration		
Trust units issued		9,061,070
Bank financing		35,328,536
Acquisition costs – due to related party		701,143
Acquisition costs		1,383,454
Total	$	46,474,203

8. LONG-TERM DEBT

	2001	2000
Bank loans	$ 59,250,000	$ 25,735,555

The Emerging Issue Committee of the Canadian Institute of Chartered Accountants has issued an Abstract which indicates that all loans secured by demand notes, that cannot be converted to a term loan, will have to be classified as current liabilities. The accounting treatment shall be applied to financial statements for periods beginning or after January 1, 2002. Pursuant to the Abstract, the entire amount outstanding on APF Energy's revolving demand credit facility would be classified as a current liability on the Trust's balance sheet.

On July 19, 2001, Energy executed a credit agreement with a syndicate of Canadian resident financial institutions. The total facility is $77.0 million, comprised of a revolving demand credit facility. The availability of the facility is limited to the borrowing base as determined from time to time by the lenders, which is currently $64.5 million. The facility may be drawn down or repaid at any time but there are no scheduled repayment terms.

The bank loans bear interest based on a sliding scale tied to Energy's debt to cash flow ratio, from a minimum of the bank's prime rate plus 0.125 percent to a maximum of the prime rate plus 1.5 percent (2000 – bank prime plus 0.125 percent to 1.5 percent) or where available, at Banker's Acceptances rates plus a stamping fee of 1.125 percent to 2.5 percent (2000 – 1.125 percent to 1.75 percent).

The loans are secured by a $125.0 million demand debenture containing a first fixed charge on all the petroleum and natural gas assets of Energy and an assignment of book debts and material gas contracts.

9. ROYALTY UNITHOLDERS' INVESTMENT ACCOUNT

	2001		2000	
	Units	Amount	Units	Amount
Balance – Beginning of year	7,139,357	$ 57,704,112	5,889,922	$ 49,704,695
Issued to acquire Alliance	901,599	9,061,070	–	–
Issued for cash	7,430,500	78,394,000	1,222,676	8,925,542
Cost of Units issued	–	(5,080,804)	–	(1,142,523)
Issued under the Trust Unit Incentive Plan	112,424	990,492	26,759	216,398
	15,583,880	$ 141,068,870	7,139,357	$ 57,704,112

The holders of Units are entitled to vote at any meeting of the Unitholders.

In 1999, the Trust created a Unitholders' Rights Plan and authorized the issuance of one right in respect of each Unit outstanding. Each right would allow Unitholders in specified circumstances, to acquire, on payment of an exercise price of $50.00, the number of Units having an aggregate market price equal to twice the exercise price of the rights.

10. TRUST UNIT INCENTIVE RIGHTS PLAN

Pursuant to a Trust Unit Incentive Plan dated December 17, 1996 and amended February 1, 1998 (the "Plan"), the directors, management, employees and consultants of Energy and Management may be granted options to acquire Units of the Trust. The exercise price for each option is the market price of the Units at the time the option is granted. Options granted prior to February 1, 1998 vested immediately, while options granted on or after February 1, 1998 vest in one-third increments on the first, second and third anniversaries of their grant. The maximum term for each grant of options is five years. In 2001, 246,723 options were granted at a price of $9.70 per Trust Unit and 30,000 options were granted at a price of $11.89 per Trust Unit.

During 2001, this Plan was terminated and replaced with a new Trust Unit Incentive Rights Plan ("Rights Plan").

Under the Rights Plan, the directors, management, employees and consultants of Energy and Management may be granted rights to purchase Units of the Trust. The initial exercise price of rights granted under the Rights Plan may not be less than the current market price of the Trust Units as of the date of the grant and the maximum term of each right is not to exceed ten years. The exercise price is to be adjusted downwards from time to time by the amount, if any, that distributions to Unitholders in any calendar quarter exceed a percentage of APF's net book value of petroleum and natural gas assets, as determined by the Trust.

There were no rights granted pursuant to the Rights Plan during 2001.

A summary of the status of the Plan as of December 31, 2001 and 2000 is as follows:

	2001 Units	2001 Weighted Average Price	2000 Units	2000 Weighted Average Price
Outstanding – Beginning of year	221,407	$ 8.38	174,500	$ 9.01
Granted	276,723	9.94	95,500	7.20
Exercised	(112,423)	8.81	(26,759)	8.09
Forfeited	(55,167)	9.61	(21,834)	8.92
Outstanding – End of year	330,540	9.32	221,407	8.38
Options exercisable – End of year	5,704	$ 8.17	100,342	$ 9.57

The following table summarizes information about fixed Trust Units options outstanding at December 31, 2001:

Range of Exercise Prices	Number Outstanding December 31, 2001	Weighted Average Remaining Contractual life (years)	Weighted Average Exercise Price	Number Exercisable December 31, 2001	Weighted Average Price
$ 7.00 – 7.99	53,569	3.18	$ 7.15	33	$ 7.15
$ 8.00 – 9.00	28,416	2.09	8.06	5,671	8.17
$ 9.01 – 10.00	223,555	4.16	9.70	–	–
$ 11.01 – 12.00	25,000	4.46	11.89	–	–
	330,540		$ 9.32	5,704	$ 8.17

11. INCOME TAXES

Energy has approximately $33,571,799 of unused tax pools at December 31, 2001 (December 31, 2000 – $10,588,000) available to be used to offset future taxable income subject to certain restrictions of the Income Tax Act.

Energy had approximately $14,580,000 in non-capital losses at December 31, 2001 (December 31, 2000 – $2,105,000) of which $2,105,000 expire in 2006 and the remainder in 2009.

The Unitholders are responsible for their own income taxes. Distributions will be a combination of taxable income and a return of capital in the year received. Generally, when the Trust has no taxable income prior to the deduction of distributions, distributions will not be taxable but will be a return of capital which reduces the Unitholders' adjusted cost base in those years.

	2001	2000
Income before income taxes	$ 13,319,120	$ 15,670,397
Statutory tax rate	43.95%	44.74%
Expected tax provision	$ 5,853,753	$ 7,010,936
Effect on income tax of		
Net income of the Trust	(11,234,778)	(4,598,148)
Resource allowance	(211,474)	(1,206,451)
Non-deductible Crown charges	32,245	132,847
Other	386,726	66,816
Provision for future income taxes	$ (5,173,528)	$ 1,406,000
The future tax recorded on the balance sheet results from		
Capital assets in excess of tax value	35,838,224	5,595,044
Future tax losses that are likely to be utilized	(6,407,918)	(942,062)
	$ 29,430,306	$ 4,652,982

The Trust has $5,524,073 of capital loss to be used against any capital gain.

During 2001 there was $nil taxable income in the Trust (2000 – $nil).

Distributions paid are deducted from taxable income only to the extent needed to reduce taxable income in the Trust to zero. Generally, the distributions deducted for the Trust tax return are taxable income to the Unitholders.

Taxable income of the Trust is comprised of income from royalty, adjusted for Crown royalties and resource allowance, less deductions for Canadian oil and natural gas property expense (COGPE), which is claimed at a rate of 10 percent on a declining balance basis and issue costs which are claimed at 20 percent per year on a straight-line basis. Any losses which occur in the Trust must be retained in the Trust and may be carried forward and deducted from taxable income for a period of seven years. The COGPE during 2001 and 2000 resulted from the purchase of royalty interests.

The amount of COGPE and issue costs remaining in the Trust are as follows:

	2001		2000	
	Per Trust Unit	Amount	Per Trust Unit	Amount
COGPE	$ 4.33[1]	$ 67,554,268	$ 4.87	$ 34,768,480
Issue costs	0.34	5,223,417	0.30	2,150,142
	$ 4.67	$ 72,777,685	$ 4.90	$ 36,918,622

[1] *Per Trust Unit amount is based on the actual number of Trust Units outstanding at year end of 15,583,880 (2000 – 7,139,357).*

12. RELATED PARTY TRANSACTIONS

Management manages the business of Energy and the Trust pursuant to a management agreement. Fees payable to Management for management, advisory and administrative services include a fee equal to 3.5 percent of Net Production Revenue and structuring fees of 1.5 percent on both the purchase price of acquisitions and on the net proceeds of dispositions. In 2001, fees paid or payable to Management on Net Production Revenues were $1,503,291 (2000 – $993,245) and structuring fees were $1,552,295 (2000 – $306,713). Structuring fees are accounted for as either part of the purchase price or as a reduction of the proceeds of disposition of oil and natural gas properties.

During the year, Energy reimbursed Management $2,247,681 (2000 – $1,502,334) for general and administrative expenses incurred on a cost recovery basis. These amounts are included in general and administrative expenses.

Management, through its ownership of 100 percent of the shares of APF, is entitled to receive 1 percent of the royalty income derived from the Properties. The 1 percent minority interest is included as an expense in the consolidated statement of operations. The amounts were $348,984 for 2001 and $189,892 for 2000.

13. FINANCIAL INSTRUMENTS

The Trust's financial instruments that are included in the balance sheet are comprised of cash, accounts receivable, and all liabilities except site restoration liability and future income taxes.

a) Commodity hedging

As at December 31, 2001, Energy had natural gas collared contracts in place amounting to 237,000 mcf of natural gas at a floor price of CDN$3.94 per mcf and a call price of CDN$4.78 until March 31, 2002. As at December 31, 2000, Energy had several natural gas swaps in place amounting to 1,002,000 mcf of natural gas at an average price of CDN$5.78 per mcf until October 31, 2001.

If Energy had unwound its position at December 31, 2001, it would have recognized a gain of $45,900 (2000 – loss of $7.94 million) with respect to its natural gas hedges.

At December 31, 2001, Energy had several oil swaps in place amounting to 180,000 barrels of oil at an average price of US$24.77 per barrel until March, 2002. At December 31, 2000, Energy had several oil swaps in place amounting to 17,739 barrels of oil at an average price of US$31.19 per barrel until March, 2001.

If Energy had unwound its position at December 31, 2001, it would have recognized a gain of $1.2 million (2000 – $95,081) with respect to its oil hedges.

b) Currency hedging

At December 31, 2001 and December 31, 2000, Energy had no forward foreign currency exchange contracts in place.

c) Fair values of financial assets and liabilities

The fair values of financial instruments that are included in the balance sheet, including long-term borrowings, approximate their carrying amount due to the short-term maturity of those instruments and the floating prime rate applied to long-term borrowings.

d) Credit risk

A substantial portion of Energy's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks.

e) Interest rate risk

At December 31, 2001, the increase or decrease in net earnings or loss before income taxes for each 1 percent change in interest rates on floating rate debt would amount to $592,500 (2000 – $257,356).

14. SUPPLEMENTAL INFORMATION FOR THE STATEMENTS OF CASH FLOWS

	2001	2000
Cash payments related to certain items		
Cash payments		
Interest	$ 3,265,931	$ 2,346,730
Distributions to minority interests	337,877	147,960
Distributions to Unitholders	36,543,928	13,064,245
Capital taxes	576,829	164,230

During the year, 901,599 Trust Units were issued as partial consideration for the acquisition of Alliance Energy Inc. (note 7).

15. CONTINGENCIES

Energy is involved in certain legal actions that occurred in the ordinary course of business. Management is of the opinion that losses, if any, arising from such legal actions would not have a material effect on these financial statements.

16. SUBSEQUENT EVENTS

Agency Agreement and Prospectus Filing

APF and the Agents entered into an Agency Agreement pursuant to which the Agents agreed to offer and the Trust agreed to issue and sell up to 3,250,000 Units at the price of $9.75 per Unit. Closing of the offering and the issue of 3,250,000 Units took place on February 13, 2002. The estimated net proceeds from this offering, after deducting expenses of the issue and after Agents' commissions will be in the amount of $29,903,125 and will be applied against long-term debt.

Five-Year Review

	2001	2000	1999	1998	1997
Average Daily Production					
Oil (bbls/day)	**3,167**	1,152	1,104	833	627
Natural Gas (mcf/day)	**15,391**	13,449	13,656	15,219	14,977
NGLs (bbls/day)	**100**	254	274	303	252
Total (boe/day)	**5,832**	3,648	3,654	3,673	3,375
Annual (mboe)	**2,129**	1,335	1,334	1,340	1,232
Commodity Sales Prices (pre-hedge) ($)					
Oil (/bbl)	**32.20**	42.67	26.72	17.19	22.48
Natural Gas (/mcf)	**5.25**	4.89	2.44	1.96	2.06
NGLs (/bbl)	**30.97**	35.96	18.19	16.24	22.20
Average (/boe)	**31.87**	34.01	18.56	13.36	14.97
Commodity Sales Prices (post-hedge) ($)					
Oil (/bbl)	**33.64**	41.40	25.00	18.18	22.48
Natural Gas (/mcf)	**4.98**	4.72	2.36	2.04	2.06
NGLs (/bbl)	**30.97**	35.96	18.19	16.24	22.20
Average (/boe)	**31.94**	32.98	17.74	13.92	14.97
Established (proved plus risked probable) Reserves					
Crude Oil & NGLs (mbbl)	**13,545**	5,648	6,216	7,880	2,296
Natural Gas (mmcf)	**50,984**	46,364	41,366	46,386	46,399
Total (mboe)	**22,042**	13,375	13,110	15,611	10,029
Income Statement ($000s)					
Revenue					
Oil and Natural Gas Sales	**68,039**	44,047	23,685	18,669	18,463
Other Income	**1,886**	928	1,022	999	1,146
	69,924	44,974	24,707	19,668	19,608
Expenses					
Crown Royalties	**7,236**	4,405	1,899	1,732	1,636
Non-Crown Royalties	**6,128**	4,125	1,999	1,587	1,662
Operating Costs	**13,086**	8,021	7,300	6,541	5,473
General & Administrative	**3,360**	1,844	1,133	921	751
Management Fees	**1,503**	993	465	337	375
Interest	**3,048**	1,882	1,955	2,079	1,183
Taxes	**1,172**	164	98	122	–
Depletion and Depreciation	**19,779**	7,175	7,383	7,813	7,032
Site Restoration	**1,293**	904	641	552	597
	56,605	29,514	22,872	21,685	18,710
Net Income (after unusual items)	**18,144**	14,075	(4,822)	(2,183)	856
Bank Debt	**59,250**	25,736	33,171	23,823	21,900
Economics ($/boe)					
Average Oil & Gas Sales Price (net of hedging)	**31.94**	32.98	17.74	13.92	14.97
Other Income	**0.89**	0.69	0.77	0.75	0.93
Net Selling Price	**32.85**	33.68	18.50	14.66	15.90
Royalties	**6.28**	6.39	2.92	2.48	2.68
Operating Costs	**6.15**	6.01	5.47	4.88	4.44
Netbacks	**20.42**	21.28	10.11	7.31	8.78
General & Administrative Costs	**1.58**	1.38	0.85	0.69	0.61
Management Fees	**0.71**	0.74	0.35	0.25	0.30
Interest	**1.43**	1.41	1.47	1.55	0.96
Taxes	**0.55**	0.12	0.07	0.09	–
Site Restoration	**0.19**	0.03	0.17	0.12	0.09
Cash Flow from Operations	**15.97**	17.59	7.20	4.60	6.80
Units Outstanding (000s)					
Year End	**15,584**	7,139	5,890	5,890	3,500
Average	**12,578**	6,888	5,890	3,774	3,500
Market					
High ($)	**13.40**	10.40	9.70	9.75	10.70
Low ($)	**8.75**	7.00	7.25	7.65	8.75
Close ($)	**9.85**	9.75	8.10	8.00	9.10
Volume	**11,644,879**	2,520,015	2,393,558	1,230,666	2,415,470
Value ($)	**123,767,203**	21,710,554	20,195,844	10,763,660	16,746,321

Note: Columns may not add due to rounding.

Donald Engle
Independent Director (2000) &
Chairman of the Board of Directors

Mr. Engle is a professional Landman and has been President of Sapphire Resources Inc., a private oil and gas consulting company, since 1985. From 1996 to May 2000, Mr. Engle was also President of Grey Wolf Exploration Inc., a publicly traded oil and gas company listed on The Toronto Stock Exchange. Mr. Engle has more than 30 years' experience in oil and gas management, financing and operations.

William Dickson
Independent Director (1996)

Mr. Dickson is a consultant and has provided oilfield operations advice to oil and natural gas service companies since 1989. During that time, he has also been a director of Dickson Resources Inc., an oil and natural gas company and of Arlyn Enterprises Ltd., a vendor of commercial and consumer lubrication oils. From November 1995 to January 1997, he was Vice-President of 3-D Reclamation Inc., a company carrying on the business of abandoning and related reclamation of oil and natural gas wells. Prior to that, he was Vice President, Operations of Ultramar.

Daniel Mercier
Independent Director (1996)

Mr. Mercier is Vice President, Operations for SOCO International plc ("SOCO"), a position he accepted in September 1998. Prior thereto he was Chairman, Chief Executive Officer and a director of Territorial Resources, Inc., a Colorado company engaged in international oil and natural gas exploration, which merged with SOCO on September 8, 1998. SOCO is a publicly traded United Kingdom corporation engaged in international oil and natural gas exploration and production. From January 1996 to March 1996, Mr. Mercier was employed by Chancellor Energy Resources Inc. as Chief Operating Officer to assist with the sale of the company to HCO Energy Ltd. Prior to January 1996; he was President and Chief Executive Officer of Canadian Conquest Exploration Inc.

Martin Hislop
Director, President & Chief Executive Officer

Mr. Hislop is a chartered accountant with over 24 years' experience in all aspects of financing and managing private and public oil and gas corporations, partnerships and trusts. Prior to founding APF Energy Management Inc. in September 1994, Mr. Hislop was the President and C.E.O. of Lakewood Energy Inc., a TSE-listed oil and gas company that was created as a result of the amalgamation of ten limited partnerships, for whom Mr. Hislop raised in excess of $125 million in equity between 1986 and 1992. During 1984 and 1985, he provided corporate finance consulting services to a Montreal-based investment dealer. Prior to that, Mr. Hislop was Vice President, Finance for Maxwell Cummings & Sons Holdings Ltd., a private investment company. In that capacity, he participated in the creation and/or re-financing of several oil and gas companies in which the Cummings group took positions, including Aberford Resources and Marline Oil. Mr. Hislop obtained his Chartered Accountant designation in 1962.

Steve Cloutier
Director, Executive Vice President & Chief Operating Officer

Mr. Cloutier has more than 15 years' combined experience in oil and gas, corporate finance, mergers and acquisitions. Since participating in the formation of APF Energy Trust in 1996, Mr. Cloutier has been responsible for the co-ordination of day-to-day operations of the business, and has been directly involved in oil and gas transactions worth more than $200 million. Prior to co-founding APF Energy Management with Mr. Hislop in 1994, Mr. Cloutier practiced law in Toronto with a medium-sized firm specializing in corporate finance and secured lending. Before that, Mr. Cloutier worked in the investment industry from 1986 to 1987.

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Directors and Officers of APF Energy Inc.
Don Engle, Independent Director and Chairman of the Board[1][2][3]

William Dickson, Independent Director[1][3]

Daniel Mercier, Independent Director[2]

Martin Hislop, Director[1]
President and Chief Executive Officer

Steven Cloutier, Director[2]
Executive Vice President and Chief Operating Officer

Alan MacDonald
Vice President, Finance

Bonnie Nicol
Vice President, Operations

Ken Pretty
Vice President, Corporate Development and Land

[1] *Member of Audit Committee*
[2] *Member of Compensation Committee*
[3] *Member of Reserves Committee*

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Calgary, Alberta

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National Bank of Canada
Calgary, Alberta

Engineering Consultants
Gilbert Laustsen Jung Associates Ltd.
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